BEST COPY
AVAILABLE

MONTANA LEGISLATIVE HISTORY

Chapter 695 19 85

Bill H _____ S 390 Original bill & history ___C

H. Committee on Taxation		S. Committee on Taxation	
Hearing Date(s) 3-27	___C	Hearing Date(s) 3-15	___C
3-29	___C	_____	___C
_____	___C	_____	___C
_____	___C	_____	___C
Date Out 3-29	___C	3-15	
rpt 3-29		rpt 3-15	

Did this bill originate in an interim committee? ___Yes ___No

Committee _____ Report _____

The Law Library has no minutes or reports for this bill in free conference committee.

2/12	FISCAL NOTE REQUESTED		
2/18	FISCAL NOTE RECEIVED		
2/21	HEARING		
2/21	COMMITTEE REPORT-BILL DO PASS		
2/23	2ND READING INDEFINITELY POSTPONED	35	11

SB 390 INTRODUCED BY MAZUREK, STEPHENS, ET AL.
ESTABLISH UNIFORM RATE OF TAX FOR "NEW PRODUCTION" OF OIL AND NATURAL GAS

2/11	INTRODUCED		
2/12	REFERRED TO TAXATION		
2/12	FISCAL NOTE REQUESTED		
2/19	FISCAL NOTE RECEIVED		
2/22	HEARING		
3/12	COMMITTEE REPORT-BILL PASS AS AMENDED		
3/14	REREFERRED TO TAXATION		
3/15	COMMITTEE REPORT-BILL PASS AS AMENDED		
3/19	2ND READING PASS	42	4
3/20	3RD READING PASS	49	1
	TRANSMITTED TO HOUSE		
3/20	REFERRED TO TAXATION		
3/25	FISCAL NOTE REQUESTED		
3/27	HEARING		
3/27	FISCAL NOTE RECEIVED		
3/30	COMM REPORT-BILL CONCURRED AS AMENDED		
4/03	2ND READING CONCURRED	80	20
4/05	3RD READING CONCURRED	79	16
4/05	RECONSIDERATION		
4/08	3RD READING CONCURRED	81	16
	RETURNED TO SENATE WITH AMENDMENTS		
4/13	ON MOTION RULES SUSPENDED TO ACCEPT TO CONSIDER HOUSE AMENDMENTS		
4/17	2ND READING AMENDMENTS NOT CONCURRED	49	0
4/19	FREE CONFERENCE COMMITTEE APPOINTED		
4/23	FREE CONFERENCE COMMITTEE REPORT		
	SENATE		
4/24	2ND READING FREE CONFERENCE COMMITTEE REPORT ADOPTED	50	0
4/24	3RD READING FREE CONFERENCE COMMITTEE REPORT ADOPTED	42	0
	HOUSE		
4/23	2ND READING FREE CONFERENCE COMMITTEE REPORT ADOPTED	88	9
4/23	3RD READING FREE CONFERENCE COMMITTEE REPORT ADOPTED	84	14
4/26	SIGNED BY PRESIDENT		
4/30	SIGNED BY SPEAKER		
4/30	TRANSMITTED TO GOVERNOR		
5/09	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 695 EFFECTIVE DATE: 7/01/85		

SB 391 INTRODUCED BY BOYLAN, ADDY, PISTORIA, ET AL.
LICENSING AND PLACEMENT OF VIDEO DRAW POKER MACHINES

COURTESY OF THE
State Law Library
of Montana

SENATE BILL NO. 390

INTRODUCED BY MAZUREK, STEPHENS, THAYER, REHBERG, E. SMITH, DANIELS, HAGER, FULLER, BOYLAN, KEATING, RAMIREZ, JACK MOORE

A BILL FOR AN ACT ENTITLED: "AN ACT DEFINING "NEW PRODUCTION" OF PETROLEUM, OIL, AND NATURAL GAS; PROVIDING FOR A UNIFORM RATE OF TAXATION ON NEW PRODUCTION; ALLOWING CERTAIN DEDUCTIONS IN DETERMINING THE NET PROCEEDS OF NEW PRODUCTION; PROVIDING FOR CONSIDERATION OF NEW PRODUCTION TAXES IN COUNTY BONDING LIMITATIONS; PROVIDING FOR DISPOSITION OF TAXES IN LIEU OF NET PROCEEDS TAXES; PROVIDING FOR QUARTERLY PAYMENT OF NEW PRODUCTION TAXES; REVISING THE DEFINITION OF "TAXABLE VALUATION" AS IT APPLIES TO THE CLASSIFICATION OF COUNTIES; AMENDING SECTIONS 7-1-2111, 7-7-2101, 7-7-2203, 7-14-2524, 7-14-2525, 7-16-2327, 15-16-102, 15-23-601 THROUGH 15-23-603, 15-23-605, AND 15-23-607, 20-9-141, 20-9-331, 20-9-333, 20-9-352, 20-9-501, AND 20-10-144, MCA; AND PROVIDING AN EFFECTIVE ~~DATE~~ DATES."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-23-601, MCA, is amended to read:

"15-23-601. Definitions. As used in this part, the following definitions apply:

(1) "Excise tax" means the windfall profit tax on domestic crude oil imposed by Title I of the federal Crude Oil Windfall Profit Tax Act of 1980, as enacted or as amended.

(2) The term "new production" means the production of natural gas, petroleum, or other crude or mineral oil from any lease that has not produced natural gas, petroleum, or other crude or mineral oil during the 5 years immediately preceding the first month of qualified new production.

~~(2)~~(3) The terms "operator" and "producer" mean any person who engages in the business of drilling for, extracting, or producing any natural gas, petroleum, or other crude or mineral oil.

~~(3)~~(4) The term "well" includes each single well or group of wells, including dry wells, in one field or production unit and under the control of one operator or producer."

Section 2. Section 15-23-602, MCA, is amended to read:

"15-23-602. Statement of sales proceeds. Each (1) EXCEPT AS PROVIDED IN SUBSECTION (2), EACH operator or producer of natural gas, petroleum, or other crude or mineral oil must on or before April 15 in each year make out and deliver to the department of revenue a statement of the gross sales proceeds of such natural gas, petroleum, or other crude or mineral oil from each well owned or worked by

REFERENCE BILL: Includes Free Conference Committee Report
Dated 4-23-85

such person during the next preceding calendar year. The gross sales proceeds shall be determined by multiplying the units of production sold from the well times the royalty unit value of that production at the well. Such statement shall be in the form prescribed by the department and must be verified by the oath of the operator or producer or the manager, superintendent, agent, president, or vice-president of such corporation, association, or partnership. Such statement shall show the following:

~~(1)~~(A) the name and address of the operator, together with a list in duplicate of the names and addresses of any and all persons owning or claiming any royalty interest in the production from the well or the proceeds derived from the sale thereof, and the amount or amounts paid or yielded as royalty to each of such persons during the period covered by the statement;

~~(2)~~(B) the description and location of the well;

~~(3)~~(C) the number of cubic feet of natural gas, barrels of petroleum or other crude or mineral oil sold from the well during the period covered by the statement;

~~(4)~~(D) the gross sales proceeds in dollars and cents or, in the case of sales between parties not acting at arm's length, the greater of the gross sales proceeds from or the fair market value of the products sold;

~~(5)~~(E) except for new production as defined in

15-23-601:

~~(5)~~~~(a)~~(I) actual cost of extracting product from well;

~~(6)~~~~(b)~~(II) cost of construction, repairs, and betterments;

~~(7)~~~~(c)~~(III) actual cost of fire insurance and workers' compensation insurance;

~~(8)~~~~(d)~~(IV) the amount paid or withheld in satisfaction of liability for excise taxes imposed by the U.S. government on the production, sale, or removal of the natural gas, petroleum, or other crude or mineral oil reported pursuant to subsection ~~(3)~~ (1)(C), including a separate statement of the amount of such taxes paid or withheld from each royalty owner.

(2) EACH OPERATOR HAVING NEW PRODUCTION AS DEFINED IN 15-23-601 SHALL, ON OR BEFORE THE LAST DAY OF THE MONTHS OF OCTOBER, JANUARY, APRIL, AND JULY, MAKE OUT AND DELIVER TO THE DEPARTMENT OF REVENUE A STATEMENT OF THE GROSS SALES PROCEEDS OF SUCH NEW PRODUCTION FROM EACH WELL OWNED OR WORKED BY SUCH PERSON DURING THE PRECEDING CALENDAR QUARTER. THE STATEMENT MUST BE IN THE FORM PRESCRIBED BY THE DEPARTMENT AND VERIFIED AS PROVIDED IN SUBSECTION (1). THE STATEMENT SHALL SHOW THE INFORMATION REQUIRED IN SUBSECTIONS (1)(A) THROUGH (1)(D)."

Section 3. Section 15-23-603, MCA, is amended to read:

"15-23-603. Net proceeds -- how computed. (1) The

Except as provided in subsection (3), the department of revenue shall calculate and compute from the returns the gross sales proceeds of the product yielded from such well for the year covered by the statement and shall calculate the net proceeds of the well yielded to the producer, which net proceeds shall be determined by subtracting from the gross sales proceeds thereof the following:

(a) all royalty paid in cash by the operator or producer and the gross value of all royalty apportioned in kind by the operator or producer that shall be determined by using as the value of a barrel of oil or a cubic foot of gas the average selling price for the calendar year of a barrel of oil or a cubic foot of gas from the well out of which the royalty was paid;

(b) all moneys expended for necessary labor, machinery, and supplies needed and used in the operation and development;

(c) all moneys expended for improvements, repairs, and betterments necessary in and about the working of the well;

(d) all moneys expended for fire insurance and workers' compensation insurance and for payments by operators to welfare and retirement funds when provided for in wage contracts between operators and employees;

(e) 70% of the amount paid or withheld in satisfaction of liability for excise taxes imposed by the U.S. government

on the production, sale, or removal of the natural gas, petroleum, or other crude or mineral oil yielded from such well, other than the amount of such taxes paid by or withheld from each royalty owner.

(2) No moneys invested in the well and improvements during any year except the year for which such statement is made may be included in such expenditures, except as provided in 15-23-604, and such expenditures may not include the salaries or any portion thereof of any person or officer not actually engaged in the working of the well or superintending the management thereof.

(3) For new production, net proceeds are the equivalent of the gross sales proceeds, WITHOUT DEDUCTION FOR EXCISE TAXES, of the product yielded from such well for the year covered by the statement, except that in computing the total number of barrels of petroleum and other mineral or crude oil or cubic feet of natural gas produced, there shall be deducted therefrom so much thereof as is used in the operation of the well from which the petroleum or other mineral or crude oil or natural gas is produced for pumping the petroleum or other mineral or crude oil or natural gas from the well to a tank or pipeline."

Section 4. Section 15-23-605, MCA, is amended to read:

"15-23-605. Assessment of royalties. (1) The amount of royalty received, valued as provided in 15-23-603(1)(a),

less 70% of the amount of excise taxes paid by or withheld from the royalty owner as reported pursuant to 15-23-602(8), shall be considered net proceeds to the recipient and shall be assessed as follows: upon receipt of the lists or schedules setting forth the names and addresses of any and all persons owning or claiming royalty and the amount paid or yielded as royalty to such royalty owners or claimants during the year for which such return is made, the department of revenue shall proceed to assess and tax the same as net proceeds of mines.

(2) Net proceeds for new production, as defined in 15-23-601, includes royalties received without deduction for excise taxes."

Section 5. Section 15-23-607, MCA, is amended to read:

"15-23-607. County assessors to compute taxes. (1) Immediately after the board of county commissioners has fixed tax levies on the second Monday in August, the county assessor shall compute the taxes on such net proceeds, except as provided in 15-36-121 and in subsection (2), and royalty assessments and shall deliver the book to the county treasurer on or before September 15. The county treasurer shall proceed to give full notice thereof to such operator and to collect the same in manner provided by law.

(2) For new production, as defined in 15-23-601, the county assessor may not levy or assess any mills against the

value of such new production, but shall instead levy a tax as follows:

(a) for new production of petroleum or other mineral or crude oil, ~~6.3%~~ ~~6.5%~~ 7% of net proceeds, as described in 15-23-603(3); or

(b) for new production of natural gas, ~~9.2%~~ ~~10%~~ ~~11%~~ 12% of net proceeds, as described in 15-23-603(3).

(3) The amount of tax levied in subsections (2)(a) and (2)(b), DIVIDED BY THE APPROPRIATE TAX RATE AND MULTIPLIED BY 60%, shall be treated as taxable value for county bonding purposes.

~~(2)~~(4) The operator or producer shall be liable for the payment of said taxes and same shall, EXCEPT AS PROVIDED IN [SECTION 20], be payable by and shall be collected from such operators in the same manner and under the same penalties as provided for the collection of taxes upon net proceeds of mines; provided, however, that the operator may at his option withhold from the proceeds of royalty interest, either in kind or in money, an estimated amount of the tax to be paid by him upon such royalty or royalty interest. After such withholding any deviation between the estimated tax and the actual tax may be accounted for by adjusting subsequent withholdings from the proceeds of royalty interests."

Section 6. Section 7-7-2101, MCA, is amended to read:

"7-7-2101. Limitation on amount of county indebtedness. (1) No county may become indebted in any manner or for any purpose to an amount, including existing indebtedness, in the aggregate exceeding 23% of the total of the taxable value of the property therein subject to taxation, plus the amount of new production taxes levied ~~as provided in 15-23-607~~ DIVIDED BY THE APPROPRIATE TAX RATES DESCRIBED IN 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY 60%, as ascertained by the last assessment for state and county taxes previous to the incurring of such indebtedness.

(2) No county may incur indebtedness or liability for any single purpose to an amount exceeding $150,000 without the approval of a majority of the electors thereof voting at an election to be provided by law, except as provided in 7-21-3413 and 7-21-3414."

Section 7. Section 7-7-2202, MCA, is amended to read:

"7-7-2203. Limitation on amount of bonded indebtedness. (1) Except as provided in subsections (2) and (3), no county may issue general obligation bonds for any purpose which, with all outstanding bonds and warrants except county high school bonds and emergency bonds, will exceed 11.25% of the total of the taxable value of the property therein, plus the amount of new production taxes levied ~~as provided in 15-23-607~~ DIVIDED BY THE APPROPRIATE TAX RATES DESCRIBED IN 15-23-607(2)(A) OR (2)(B) AND

MULTIPLIED BY 60%, to be ascertained by the last assessment for state and county taxes prior to the proposed issuance of bonds.

(2) A county may issue bonds which, with all outstanding bonds and warrants, will exceed 11.25% but will not exceed 37% of the total of the taxable value of such property, plus the amount of new production taxes levied ~~as provided in 15-23-607~~ DIVIDED BY THE APPROPRIATE TAX RATES DESCRIBED IN 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY 60%, when necessary to do so, for the purpose of acquiring land for a site for county high school buildings and for erecting or acquiring buildings thereon and furnishing and equipping the same for county high school purposes.

(3) The foregoing limitation shall not apply to refunding bonds issued for the purpose of paying or retiring county bonds lawfully issued prior to January 1, 1932."

Section 8. Section 7-14-2524, MCA, is amended to read:

"7-14-2524. Limitation on amount of bonds issued -- excess void. (1) Except as otherwise provided hereafter and in 7-7-2203 and 7-7-2204, no county shall issue bonds which, with all outstanding bonds and warrants except county high school bonds and emergency bonds, will exceed 11.25% of the total of the taxable value of the property therein, plus the amount of new production taxes levied ~~as provided in 15-23-607~~ DIVIDED BY THE APPROPRIATE TAX RATES DESCRIBED IN

15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY 60%. The taxable property and the amount of new production taxes levied shall be ascertained by the last assessment for state and county taxes prior to the issuance of such bonds.

(2) A county may issue bonds which, with all outstanding bonds and warrants except county high school bonds, will exceed 11.25% but will not exceed 22.5% of the total of the taxable value of such property, plus the amount of new production taxes levied ~~as provided in 15-23-607~~ DIVIDED BY THE APPROPRIATE TAX RATES DESCRIBED IN 15-23-607(2)(A) OR (2)(B) AND MULTIPLED BY 60%, when necessary for the purpose of replacing, rebuilding, or repairing county buildings, bridges, or highways which have been destroyed or damaged by an act of God, disaster, catastrophe, or accident.

(3) The value of the bonds issued and all other outstanding indebtedness of the county, except county high school bonds, shall not exceed 22.5% of the total of the taxable value of the property within the county, plus the amount of new production taxes levied ~~as provided in 15-23-607~~ DIVIDED BY THE APPROPRIATE TAX RATES DESCRIBED IN 15-23-607(2)(A) OR (2)(B) AND MULTIPLED BY 60%, as ascertained by the last preceding general assessment."

Section 9. Section 7-14-2525, MCA, is amended to read:

"7-14-2525. Refunding agreements and refunding bonds

authorized. (1) Whenever the total indebtedness of a county exceeds 22.5% of the total of the taxable value of the property therein, plus the amount of new production taxes levied ~~as provided in 15-23-607~~ DIVIDED BY THE APPROPRIATE TAX RATES DESCRIBED IN 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY 60%, and the board determines that the county is unable to pay such indebtedness in full, the board may:

(a) negotiate with the bondholders for an agreement whereby the bondholders agree to accept less than the full amount of the bonds and the accrued unpaid interest thereon in satisfaction thereof;

(b) enter into such agreement;

(c) issue refunding bonds for the amount agreed upon.

(2) These bonds may be issued in more than one series, and each series may be either amortization or serial bonds.

(3) The plan agreed upon between the board and the bondholders shall be embodied in full in the resolution providing for the issue of the bonds."

Section 10. Section 7-16-2327, MCA, is amended to read:

"7-16-2327. Indebtedness for park purposes. (1) Subject to the provisions of subsection (2), a county park board, in addition to powers and duties now given under law, shall have the power and duty to contract an indebtedness in behalf of a county, upon the credit thereof, for the

purposes of 7-16-2321(1) and (2).

(2) (a) The total amount of indebtedness authorized to be contracted in any form, including the then-existing indebtedness, must not at any time exceed 13% of the total of the taxable value of the taxable property in the county, plus the amount of new production taxes levied ~~as provided in 15-23-607~~ DIVIDED BY THE APPROPRIATE TAX RATES DESCRIBED IN 15-23-607(2)(A) OR (2)(B) AND MULTIPLIED BY 60%, ascertained by the last assessment for state and county taxes previous to the incurring of such indebtedness.

(b) No money may be borrowed on bonds issued for the purchase of lands and improving same for any such purpose until the proposition has been submitted to the vote of those qualified under the provisions of the state constitution to vote at such election in the county affected thereby and a majority vote is cast in favor thereof."

NEW SECTION. SECTION 11. DISPOSITION OF TAXES IN LIEU OF NET PROCEEDS TAXES. THE COUNTY TREASURER SHALL CREDIT ALL TAXES ON NEW OIL OR GAS PRODUCTION, AS PROVIDED FOR IN 15-23-607, IN THE RELATIVE PROPORTIONS REQUIRED BY THE LEVIES FOR STATE, COUNTY, SCHOOL DISTRICT, AND MUNICIPAL PURPOSES IN THE SAME MANNER AS PROPERTY TAXES WERE DISTRIBUTED IN THE YEAR PRECEDING THE BUDGET YEAR.

SECTION 12. SECTION 20-9-141, MCA, IS AMENDED TO READ:

"20-9-141. Computation of general fund net levy

requirement by county superintendent. (1) The county superintendent shall compute the levy requirement for each district's general fund on the basis of the following procedure:

(a) Determine the total of the district's nonisolated school foundation program requirement to be met by a district levy as provided in 20-9-303, the district's permissive levy amount as provided in 20-9-352, and any additional levies authorized by the electors of the district under the provisions of 20-9-353, except that the total of the permissive and additional levies shall not exceed the total amount of the final general fund budget less the foundation program.

(b) Determine the total of the moneys available for the reduction of the property tax on the district for the general fund by totaling:

(i) anticipated federal moneys received under the provisions of Title I of Public Law 81-874 or other anticipated federal moneys received in lieu of such federal act;

(ii) anticipated tuition payments for out-of-district pupils under the provisions of 20-5-303, 20-5-307, 20-5-312, and 20-5-313;

(iii) general fund cash reappropriated, as established under the provisions of 20-9-104;

(iv) anticipated state impact aid received under the provisions of 20-9-304;

(v) anticipated motor vehicle fees and reimbursement under the provisions of 61-3-532 and 61-3-536;

(vi) anticipated net proceeds TAXES for new production, as defined in 15-23-601;

~~(vi)~~(vii) anticipated interest to be earned by the investment of general fund cash in accordance with the provisions of 20-9-213(4); and

~~(vii)~~(viii) any other revenue anticipated by the trustees to be received during the ensuing school fiscal year which may be used to finance the general fund.

(c) Subtract the total of the moneys available to reduce the property tax required to finance the general fund that has been determined in subsection (1)(b) from the total levy requirement determined in subsection (1)(a).

(2) The net general fund levy requirement determined in subsection (1)(c) shall be reported to the county commissioners on the second Monday of August by the county superintendent as the general fund levy requirement for the district, and a levy shall be made by the county commissioners in accordance with 20-9-142."

SECTION 13. SECTION 20-9-331, MCA, IS AMENDED TO READ:

"20-9-331. Basic county tax and other revenues for county equalization of the elementary district foundation

program. (1) It shall be the duty of the county commissioners of each county to levy an annual basic tax of 28 mills on the dollars of the taxable value of all taxable property within the county for the purposes of local and state foundation program support. The revenue to be collected from this levy shall be apportioned to the support of the foundation programs of the elementary school districts in the county and to the state special revenue fund, state equalization aid account," in the following manner:

(a) In order to determine the amount of revenue raised by this levy which is retained by the county, the sum of the estimated revenues identified in subsections (2)(a) through (2)(f) below shall be subtracted from the sum of the county elementary transportation obligation and the total of the foundation programs of all elementary districts of the county.

(b) If the basic levy prescribed by this section produces more revenue than is required to finance the difference determined above, the county commissioners shall order the county treasurer to remit the surplus funds to the state treasurer for deposit to the state special revenue fund, state equalization aid account, not later than June 1 of the fiscal year for which the levy has been set.

(2) The proceeds realized from the county's portion of

the levy prescribed by this section and the revenues from the following sources shall be used for the equalization of the elementary district foundation programs of the county as prescribed in 20-9-334, and a separate accounting shall be kept of such proceeds and revenues by the county treasurer in accordance with 20-9-212(1):

(a) the portion of the federal Taylor Grazing Act funds distributed to a county and designated for the common school fund under the provisions of 17-3-222;

(b) the portion of the federal flood control act funds distributed to a county and designated for expenditure for the benefit of the county common schools under the provisions of 17-3-232;

(c) all money paid into the county treasury as a result of fines for violations of law and the use of which is not otherwise specified by law;

(d) any money remaining at the end of the immediately preceding school fiscal year in the county treasurer's account for the various sources of revenue established or referred to in this section; and

(e) any federal or state money, including anticipated motor vehicle fees and reimbursement under the provisions of 61-3-532 and 61-3-536, distributed to the county as payment in lieu of the property taxation established by the county levy required by this section; and

(f) net proceeds TAXES for new production, as defined in 15-23-601."

SECTION 14. SECTION 20-9-333, MCA, IS AMENDED TO READ:

"20-9-333. Basic special levy and other revenues for county equalization of high school district foundation program. (1) It shall be the duty of the county commissioners of each county to levy an annual basic special tax for high schools of 17 mills on the dollar of the taxable value of all taxable property within the county for the purposes of local and state foundation program support. The revenue to be collected from this levy shall be apportioned to the support of the foundation programs of high school districts in the county and to the state special revenue fund, state equalization aid account, in the following manner:

(a) In order to determine the amount of revenue raised by this levy which is retained by the county, the estimated revenues identified in subsections (2)(a) and (2)(b) below shall be subtracted from the sum of the county's high school tuition obligation and the total of the foundation programs of all high school districts of the county.

(b) If the basic levy prescribed by this section produces more revenue than is required to finance the difference determined above, the county commissioners shall order the county treasurer to remit the surplus to the state

treasurer for deposit to the state special revenue fund, state equalization aid account, not later than June 1 of the fiscal year for which the levy has been set.

(2) The proceeds realized from the county's portion of the levy prescribed in this section and the revenues from the following sources shall be used for the equalization of the high school district foundation programs of the county as prescribed in 20-9-334, and a separate accounting shall be kept of these proceeds by the county treasurer in accordance with 20-9-212(1):

(a) any money remaining at the end of the immediately preceding school fiscal year in the county treasurer's account for deposit of the proceeds from the levy established in this section; and

(b) any federal or state moneys, including anticipated motor vehicle fees and reimbursement under the provisions of 61-3-532 and 61-3-536, distributed to the county as a payment in lieu of the property taxation established by the county levy required by this section; and

(c) net proceeds TAXES for new production, as defined in 15-23-601."

SECTION 15. SECTION 20-9-352, MCA, IS AMENDED TO READ:

"20-9-352. Permissive amount and permissive levy. (1) Whenever the trustees of any district shall deem it necessary to adopt a general fund budget in excess of the

foundation program amount but not in excess of the maximum general fund budget amount for such district as established by the schedules in 20-9-316 through 20-9-321, the trustees shall adopt a resolution stating the reasons and purposes for exceeding the foundation program amount. Such excess above the foundation program amount shall be known as the "permissive amount", and it shall be financed by a levy on the taxable value of all taxable property within the district as prescribed in 20-9-141, supplemented with any biennial appropriation by the legislature for this purpose.

(2) The district levies to be set for the purpose of funding the permissive amount are determined as follows:

(a) For each elementary school district, the county commissioners shall annually set a levy not exceeding 6 mills on all the taxable property in the district for the purpose of funding the permissive amount of the district. The permissive levy in mills shall be obtained by multiplying the ratio of the permissive amount to the maximum permissive amount by 6 or by using the number of mills which would fund the permissive amount, whichever is less. If the amount of revenue raised by this levy, plus anticipated motor vehicle fees and reimbursement under the provisions of 61-3-532 and 61-3-536, is not sufficient to fund the permissive amount in full, the amount of the deficiency shall be paid to the district from the state

special revenue fund according to the provisions of 20-9-351 and subsection (3) of this section.

(b) For each high school district, the county commissioners shall annually set a levy not exceeding 4 mills on all taxable property in the district for the purpose of funding the permissive amount of the district. The permissive levy in mills shall be obtained by multiplying the ratio of the permissive levy to the maximum permissive amount by 4 or by using the number of mills which would fund the permissive amount, whichever is less. If the amount of revenue raised by this levy, plus anticipated motor vehicle fees and reimbursement under the provisions of 61-3-532 and 61-3-536, and plus net proceeds TAXES for new production, as defined in 15-23-601, is not sufficient to fund the permissive amount in full, the amount of the deficiency shall be paid to the district from the state special revenue fund according to the provisions of 20-9-351 and subsection (3) of this section. The superintendent of public instruction shall, if the appropriation by the legislature for the permissive account [program] for the biennium is insufficient, request the budget director to submit a request for a supplemental appropriation in the second year of the biennium.

(3) Such distribution shall be made in two payments. The first payment shall be made at the same time as the

first distribution of state equalization aid is made after January 1 of the fiscal year. The second payment shall be made at the same time as the last payment of state equalization aid is made for the fiscal year. If the appropriation is not sufficient to finance the deficiencies of the districts as determined according to subsection (2), each district will receive the same percentage of its deficiency. Surplus revenue in the second year of the biennium may be used to reduce the appropriation required for the next succeeding biennium or may be transferred to the state equalization aid state special revenue fund if revenues in that fund are insufficient to meet foundation program requirements."

SECTION 16. SECTION 20-9-501, MCA, IS AMENDED TO READ:

"20-9-501. Retirement fund. (1) The trustees of any district employing personnel who are members of the teachers' retirement system or the public employees' retirement system or who are covered by unemployment insurance or who are covered by any federal social security system requiring employer contributions shall establish a retirement fund for the purposes of budgeting and paying the employer's contributions to such systems. The district's contribution for each employee who is a member of the teachers' retirement system shall be calculated in accordance with Title 19, chapter 4, part 6. The district's

contribution for each employee who is a member of the public employees' retirement system shall be calculated in accordance with 19-3-801. The district may levy a special tax to pay its contribution to the public employees' retirement system under the conditions prescribed in 19-3-204. The district's contributions for each employee covered by any federal social security system shall be paid in accordance with federal law and regulation. The district's contribution for each employee who is covered by unemployment insurance shall be paid in accordance with Title 39, chapter 51, part 11.

(2) The trustees of any district required to make a contribution to any such system shall include in the retirement fund of the preliminary budget the estimated amount of the employer's contribution and such additional moneys, within legal limitations, as they may wish to provide for the retirement fund cash reserve. After the final retirement fund budget has been adopted, the trustees shall pay the employer contributions to such systems in accordance with the financial administration provisions of this title.

(3) When the final retirement fund budget has been adopted, the county superintendent shall establish the levy requirement by:

(a) determining the sum of the moneys available to

reduce the retirement fund levy requirement by adding:

(i) any anticipated moneys that may be realized in the retirement fund during the ensuing school fiscal year, including anticipated motor vehicle fees and reimbursement under the provisions of 61-3-532 and 61-3-536; and

(ii) net proceeds TAXES for new production, as defined in 15-23-601; and

~~(ii)~~(iii) any cash available for reappropriation as determined by subtracting the amount of the end-of-the-year cash balance earmarked as the retirement fund cash reserve for the ensuing school fiscal year by the trustees from the end-of-the-year cash balance in the retirement fund. The retirement fund cash reserve shall not be more than 35% of the final retirement fund budget for the ensuing school fiscal year and shall be used for the purpose of paying retirement fund warrants issued by the district under the final retirement fund budget.

(b) subtracting the total of the moneys available for reduction of the levy requirement as determined in subsection (3)(a) from the budgeted amount for expenditures in the final retirement fund budget.

(4) The county superintendent shall total the net retirement fund levy requirements separately for all elementary school districts, all high school districts, and all community college districts of the county, including any

prorated joint district or special educational cooperative agreement levy requirements, and shall report each such levy requirement to the county commissioners on the second Monday of August as the respective county levy requirements for elementary district, high school district, and community college district retirement funds. The county commissioners shall fix and set such county levy in accordance with 20-9-142.

(5) The net retirement fund levy requirement for a joint elementary district or a joint high school district shall be prorated to each county in which a part of such district is located in the same proportion as the district ANB of the joint district is distributed by pupil residence in each such county. The county superintendents of the counties affected shall jointly determine the net retirement fund levy requirement for each county as provided in 20-9-151.

(6) The net retirement fund levy requirement for districts that are members of special educational cooperative agreements shall be prorated to each county in which such district is located in the same proportion as the budget for the special education cooperative agreement of the district bears to the total budget of the cooperative. The county superintendents of the counties affected shall jointly determine the net retirement fund levy requirement

for each county in the same manner as provided in 20-9-151 and fix and levy the net retirement fund levy for each county in the same manner as provided in 20-9-152."

SECTION 17. SECTION 20-10-144, MCA, IS AMENDED TO READ:

"20-10-144. Computation of revenues and net tax levy requirements for the transportation fund budget. Before the fourth Monday of July and in accordance with 20-9-123, the county superintendent shall compute the revenue available to finance the transportation fund budget of each district. The county superintendent shall compute the revenue for each district on the following basis:

(1) The "schedule amount" of the preliminary budget expenditures that is derived from the rate schedules in 20-10-141 and 20-10-142 shall be determined by adding the following amounts:

(a) the sum of the maximum reimbursable expenditures for all approved school bus routes maintained by the district (to determine the maximum reimbursable expenditure, multiply the applicable rate per bus mile by the total number of miles to be traveled during the ensuing school fiscal year on each bus route approved by the county transportation committee and maintained by such district); plus

(b) the total of all individual transportation per

diem reimbursement rates for such district as determined from the contracts submitted by the district multiplied by the number of pupil-instruction days scheduled for the ensuing school attendance year; plus

(c) any estimated costs for supervised home study or supervised correspondence study for the ensuing school fiscal year; plus

(d) the amount budgeted on the preliminary budget for the contingency amount permitted in 20-10-143, except if such amount exceeds 10% of the total of subsections (1)(a), (1)(b), and (1)(c) or $100, whichever is larger, the contingency amount on the preliminary budget shall be reduced to such limitation amount and used in this determination of the schedule amount.

(2) The schedule amount determined in subsection (1) or the total preliminary transportation fund budget, whichever is smaller, shall be divided by 3 and the resulting one-third amount shall be used to determine the available state and county revenue to be budgeted on the following basis:

(a) the resulting one-third amount shall be the budgeted state transportation reimbursement, except that the state transportation reimbursement for the transportation of special education pupils under the provisions of 20-7-442 shall be two-thirds of the schedule amount attributed to the

transportation of special education pupils;

(b) the resulting one-third amount, except as provided for joint elementary districts in subsection (2)(e), shall be the budgeted county transportation reimbursement for elementary districts and shall be financed by the basic county tax under the provisions of 20-9-334;

(c) the resulting one-third amount multiplied by 2 shall be the budgeted county transportation reimbursement amount for high school districts financed under the provisions of subsection (5) of this section, except as provided for joint high school districts in subsection (2)(e), and except that the county transportation reimbursement for the transportation of special education pupils under the provisions of 20-7-442 shall be one-third of the schedule amount attributed to the transportation of special education pupils;

(d) when the district has a sufficient amount of cash for reappropriation and other sources of district revenue, as determined in subsection (3), to reduce the total district obligation for financing to zero, any remaining amount of such district revenue and cash reappropriated shall be used to reduce the county financing obligation in subsections (2)(b) or (2)(c) and, if such county financing obligations are reduced to zero, to reduce the state financial obligation in subsection (2)(a); and

(e) the county revenue requirement for a joint district, after the application of any district moneys under subsection (2)(d) above, shall be prorated to each county incorporated by the joint district in the same proportion as the ANB of the joint district is distributed by pupil residence in each such county.

(3) The total of the moneys available for the reduction of property tax on the district for the transportation fund shall be determined by totaling:

(a) anticipated federal moneys received under the provisions of Title I of Public Law 81-874 or other anticipated federal moneys received in lieu of such federal act; plus

(b) anticipated payments from other districts for providing school bus transportation services for such district; plus

(c) anticipated payments from a parent or guardian for providing school bus transportation services for his child; plus

(d) anticipated interest to be earned by the investment of transportation fund cash in accordance with the provisions of 20-9-213(4); plus

(e) anticipated motor vehicle fees and reimbursement under the provisions of 61-3-532 and 61-3-536; plus

(f) net proceeds TAXES for new production, as defined

in 15-23-601; plus

~~(f)~~(g) any other revenue anticipated by the trustees to be earned during the ensuing school fiscal year which may be used to finance the transportation fund; plus

~~(g)~~(h) any cash available for reappropriation as determined by subtracting the amount of the end-of-the-year cash balance earmarked as the transportation fund cash reserve for the ensuing school fiscal year by the trustees from the end-of-the-year cash balance in the transportation fund. Such cash reserve shall not be more than 20% of the final transportation fund budget for the ensuing school fiscal year and shall be for the purpose of paying transportation fund warrants issued by the district under the final transportation fund budget.

(4) The district levy requirement for each district's transportation fund shall be computed by:

(a) subtracting the schedule amount calculated in subsection (1) from the total preliminary transportation budget amount and, for an elementary district, adding such difference to the district obligation to finance one-third of the schedule amount as determined in subsection (2); and

(b) subtracting the amount of moneys available to reduce the property tax on the district, as determined in subsection (3), from the amount determined in subsection (4)(a) above.

(5) The county levy requirement for the financing of the county transportation reimbursement to high school districts shall be computed by adding all such requirements for all the high school districts of the county, including the county's obligation for reimbursements in joint high school districts.

(6) The transportation fund levy requirements determined in subsection (4) for each district and in subsection (5) for the county shall be reported to the county commissioners on the second Monday of August by the county superintendent as the transportation fund levy requirements for the district and for the county, and such levies shall be made by the county commissioners in accordance with 20-9-142."

SECTION 18. SECTION 7-1-2111, MCA, IS AMENDED TO READ:

"7-1-2111. Classification of counties. (1) For the purpose of regulating the compensation and salaries of all county officers, not otherwise provided for, and for fixing the penalties of officers' bonds, the several counties of this state shall be classified according to that percentage of the true and full valuation of the property therein upon which the tax levy is made, as follows:

(a) first class--all counties having such a taxable valuation of $50 million or over;

(b) second class--all counties having such a taxable

valuation of more than $30 million and less than $50 million;

(c) third class--all counties having such a taxable valuation of more than $20 million and less than $30 million;

(d) fourth class--all counties having such a taxable valuation of more than $15 million and less than $20 million;

(e) fifth class--all counties having such a taxable valuation of more than $10 million and less than $15 million;

(f) sixth class--all counties having such a taxable valuation of more than $5 million and less than $10 million;

(g) seventh class--all counties having such a taxable valuation of less than $5 million.

(2) As used in this section, taxable valuation means the taxable value of taxable property in the county as of the time of determination plus:

(a) that portion of the taxable value of the county on December 31, 1981, attributable to automobiles and trucks having a rated capacity of three-quarters of a ton or less; and

(b) the amount of new production taxes levied, as provided in 15-23-607, divided by the appropriate tax rates described in 15-23-607(2)(a) or (2)(b) and multiplied by

60%."

SECTION 19. SECTION 15-16-102, MCA, IS AMENDED TO READ:

"15-16-102. Time for payment -- penalty for delinquency. All taxes levied and assessed in the state of Montana, except assessments made for special improvements in cities and towns payable under 15-16-103 and assessments made on new production as provided in Title 15, chapter 23, part 6, and payable under [section 20], shall be payable as follows:

(1) One-half of the amount of such taxes shall be payable on or before 5 p.m. on November 30 of each year and one-half on or before 5 p.m. on May 31 of each year.

(2) Unless one-half of such taxes are paid on or before 5 p.m. on November 30 of each year, then such amount so payable shall become delinquent and shall draw interest at the rate of 5/6 of 1% per month from and after such delinquency until paid and 2% shall be added to the delinquent taxes as a penalty.

(3) All taxes due and not paid on or before 5 p.m. on May 31 of each year shall be delinquent and shall draw interest at the rate of 5/6 of 1% per month from and after such delinquency until paid and 2% shall be added to the delinquent taxes as a penalty."

NEW SECTION. SECTION 20. PAYMENT OF NEW PRODUCTION

TAXES. (1) TAXES LEVIED AND ASSESSED ON NEW PRODUCTION UNDER THE PROVISIONS OF TITLE 15, CHAPTER 23, PART 6, MUST BE PAID TO THE COUNTY TREASURER IN QUARTERLY INSTALLMENTS. THE PAYMENTS MUST BE MADE ON OR BEFORE 5 P.M. ON THE LAST DAY OF THE MONTHS OF NOVEMBER, FEBRUARY, MAY, AND AUGUST.

(2) UNLESS ONE-QUARTER OF SUCH TAXES ARE PAID ON OR BEFORE 5 P.M. ON THE LAST DAY OF THE MONTHS OF NOVEMBER, FEBRUARY, MAY, AND AUGUST OF EACH YEAR, ANY AMOUNT SO PAYABLE IS DELINQUENT.

(3) ALL SUCH DELINQUENT TAXES MUST DRAW INTEREST AT THE RATE PAYABLE ON DELINQUENCIES UNDER ~~15-16-102~~ 15-23-115.

(4) THERE MUST ALSO BE ADDED TO THE DELINQUENT TAXES A PENALTY AT THE SAME RATE AS PROVIDED FOR DELINQUENCIES UNDER ~~15-16-102~~ 15-23-104.

NEW SECTION. SECTION 21. CODIFICATION INSTRUCTION. SECTION 11 IS INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF TITLE 15, CHAPTER 23, PART 6, AND THE PROVISIONS OF TITLE 15, CHAPTER 23, PART 6, APPLY TO SECTION 11. SECTION 20 IS INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF TITLE 15, CHAPTER 16, PART 1, AND THE PROVISIONS OF TITLE 15, CHAPTER 16, PART 1, APPLY TO SECTION 20.

NEW SECTION. Section 22. Extension of authority. Any existing authority of the department of revenue to make rules on the subject of the provisions of this act is extended to the provisions of this act.

NEW SECTION. Section 23. Effective ~~date~~ DATES. Sections 1 through ~~10~~ 18 21 of this act are effective July 1, 1985. ~~Section 11 and this section~~ SECTIONS ~~19~~ 22 AND ~~20~~ 23 are effective on passage and approval, except that rules adopted under section ~~11~~ ~~19~~ 22 may not be made effective prior to July 1, 1985.

-End-

COURTESY OF THE
State Law Library
of Montana

NORMAL SCHEDULE==> SITE: ROOM 413/415 DAYS: M-TU-W-TH-F TIME: 8:00-10:00 A.M.

BILL NO	REFER DATE	HEARING DATE	CONSIDERATION DATES	COMMITTEE ACTION	REREFERRED TO COMM	DATE OUT
SB0330 GOODOVER, PAT M.	2/06	2/14	2/16, 3/11 EXCLUDING INCOME DERIVED OUTSIDE U.S. FROM UNITARY TAXATION	PASS AS AMENDED		3/11
SB0338 GAGE, DELWYN	2/07	2/18	2/22 COAL TAX MONEY FOR LAW ENFORCEMENT IN FISCAL 1985, 1986, 1987	DO PASS	FINANCE & CLAIMS	2/22
SB0346 HAGER, TOM	2/07		 BASE AMOUNT FOR DETERMINING TAXABLE SOCIAL SECURITY OR RR RETIRE. BENEFIT	TABLED		3/6
SB0367 HALLIGAN, MIKE	2/09	2/21	3/13 5 PERCENT STATEWIDE HOTEL/MOTEL TAX	TABLED		3/13
SB0379 WEEDING, CECIL	2/11	2/18	2/21 COAL BOARD GRANTS FOR HIGHWAY PROJECTS IN IMPACTED AREA	DO PASS		2/21
SB0386 SMITH, ED B.	2/12	3/06	3/8 REPLACE LIGHT VEHICLE FEE SYSTEM WITH PROPERTY TAX	ADVERSE REPORT	TAXATION	3/8
SB0386 SMITH, ED B.	3/08		3/18 REPLACE LIGHT VEHICLE FEE SYSTEM WITH PROPERTY TAX	TABLED		3/18
SB0390 MAZUREK, JOSEPH P.	2/12	2/22	3/12 ESTABLISH UNIFORM RATE OF TAX FOR "NEW PRODUCTION" OF OIL AND NATURAL GAS	PASS AS AMENDED	TAXATION	3/12
SB0390 MAZUREK, JOSEPH P.	3/14		3/15 ESTABLISH UNIFORM RATE OF TAX FOR "NEW PRODUCTION" OF OIL AND NATURAL GAS	PASS AS AMENDED		3/15
SB0395 HIRSCH, LES J.	2/12	2/23	3/18 SURFACE OWNER OBTAINING UNCLAIMED SEVERED MINERAL INTEREST	TABLED		3/18
SB0400 YELLOWTAIL JR, WILLIAM P.	2/13	2/19	3/8 EXTENDING THE ALCOHOL TAX INCENTIVE TO EXPORTS; LIMITING INCENTIVE PAYMENTS	PASS AS AMENDED		3/8

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 15, 1985

The fiftieth meeting of the Senate Taxation Committee was called to order by Chairman Thomas E. Towe at 8:01 am, Friday, in Room 413-415 of the State Capitol.

ROLL CALL: Senator Goodover was excused. Senators Halligan, Neuman and Severson arrived late. All other members of the committee were present.

CONSIDERATION OF HB 478: Representative Elmer Schye was recognized as chief sponsor of the bill lowers the penalty and interest for failure to pay oil and gas severance tax. He said that the current penalty was higher, but that it allows for penalty and interest which are not allowed by current law. It reduces the penalty from 25 to 10 percent, and allows for computation of the interest. He said changing the law in this way would make it consistent with other extraction taxes.

PROPONENTS

Mr. Don Hoffman of the Natural Resources Bureau, Department of Revenue spoke in behalf of the bill.

OPPONENTS

None were heard.

Questions from the committee were called for.

Hearing none, Representative Schye was recognized and closed.

MOTION: Senator Eck moved that HB 478 be concurred in. The motion carried unanimously and Senator Eck agreed to carry the bill on the Senate floor.

CONSIDERATION OF SB 390: Senator Towe said that the proposed rates in the bill came from the Department of Revenue and then from the Governor's office. He said the amendments averaged the differences in the figures and now the Department of Revenue says the rate should be higher.

Mr. Don Hoffman, Department of Revenue was recognized. He explained how the effective rate was figured by the Department. Those figures are covered by Exhibit 1.

Mr. Tucker Hill, representing the industry, said that he had figured the rate by total tax paid against total value for production year 1981 based on the available production figures.

Chairman Towe asked if they understood why they were coming up with different percentage rates using the same basic data. The Department explained that they were accounting for the windfall profits tax and for audit exceptions that had been finalized to bring up the effective rate on oil.

Mr. Hill said he used the actual mill levy and the actual tax paid and that some figures from the Department had come in after the fact.

Senator Mazurek said that he had been asked to carry the bill and had checked this matter before agreeing to sponsor the bill. He said the figures were put in the bill accordingly and he was distressed to find that now the Department believes the rates should increase. He said the idea is to set a statewide rate on new production only and to be competitive in that regard with adjoining states for the exploration dollars available.

Mr. Jerry Anderson said that using the audit data is incomplete and that as the audits are completed the figures could change again.

Mr. John LaFaver, Director of the Department of Revenue, agreed that all figures used were estimates, particularly with oil. He apologized for the last minute information from the Department and said that the move was in no way hostile to the bill. He said he had not realized that windfall profits and audit adjustments had not been included.

Chairman Towe suggested that the industry representatives and the Department work out the differences in rates and come back to the committee with a compromise recommendation.

CONSIDERATION OF SB 460: Senator Chris Christiaens was recognized as chief sponsor of the bill. He said the bill would change the current method of calculating net capital gains tax. He said it would result in revenues for the state between $23 and 26 million.

He noted that Dr. Miles Watts and Dr. James Johnson from Montana State University were present. He said they had come at his request to answer questions and provide information to the committee on the subject of the bill.

PROPONENTS

Mr. Don Judge, representing the "44,000 income taxpayers of the Montana AFL-CIO" said they support the bill. He said that capital gains has tremendous impact on the income taxpayer. He said under current law when the proceeds from a sale are held for six months and one day, 60 percent of the amount is not taxable. He said no wage earner would be able to write off that amount. He said the write off in the last year was $1.198 billion. He said that amount must be made up by other taxpayers who can afford it less. He noted that 1.9 percent of those itemized obtained 90 percent of that write off so that the benefit was going to few.

The bill as written, he said, provides for sale of a home. The issue is tax fairness and this bill should be passed.

Mr. Terry Murphy, President of the Montana Farmers Union, said that he is a proponent because of the land market problems with the current

Montana State University. He said that he was not an opponent or a proponent, but there to provide information to the committee. The research from which he extrapolated his testimony is found in Exhibit 4.

The committee indicated concern about the impact of this legislation on the cattle breeder, but concluded that it would not hurt cattlemen.

Senator Christiaens closed saying the bill is good for home owners, good for farmers and good for the state. He said the bookkeeping difficulties are not so great. He said the bill is very equitable and would have a long-term benefit to businesses in Montana.

CONSIDERATION OF SB 462: Senator Gage was recognized. He said that he had discussed the changes made by the committee to SB 462 with the industry and they could live with the bill in its current form. He suggested that additional clarification of the definition of well-head work and the drilling property generally might be necessary.

MOTION: Senator Halligan moved that SB 462 do pass as amended. The motion carried unanimously.

CONSIDERATION OF SB 390: Mr. Hoffman, speaking for the Department, and Mr. Jerry Anderson, speaking for the industry, informed the committee that they had discussed the different methods of figuring the effective taxation rate on oil and gas production. They had agreed on the figure of 7 percent for oil. Mr. Anderson said that is "higher than we feel the amount should be, but we will do that if other taxation things stay static." He said they had agreed to 11 percent on natural gas with the provision that either could adjust that in the House if necessary. They had agreed to work on that number before the House hearing.

Senator Mazurek thanked them for working out a compromise.

Senator Tom Keating was recognized and said the issue was not what the effective taxation rate should be, but whether Montana wanted to encourage the outside investment dollar to be competitive with other states. He said the oil industry in Eastern Montana has lost 4,000 primary jobs. He compared this rate to surrounding states and said that with other taxes figured in it is too high.

MOTION: Senator Mazurek moved that SB 390 be amended to make the effective taxation rate on oil, 7 percent; on gas, 11 percent. The motion carried unanimously.

MOTION: Senator Mazurek moved that SB 390 do pass as amended. The motion carried unanimously.

Chairman Towe adjourned the meeting at 10:02 am.

Chairman

DEPARTMENT OF REVENUE

TED SCHWINDEN, GOVERNOR

MITCHELL BUILDING

STATE OF MONTANA

HELENA, MONTANA 59620

March 14, 1985

Memo

To: Senate Tax Committee

From: John D. LaFaver
Director

On March 4, the Department provided to the tax committee a memo on the rates for SB 390. This memo further refines the relevant statistics.

Natural Gas

For natural gas, the following is the effective rate of the net proceeds tax as a percentage of gross value for the last five years:

Taxable	Effective Rate
1983	11.54
1982	11.71
1981	12.43
1980	11.79
1979	12.40
Average	11.97%

Based upon the above, we recommend a 12% rate for SB 390 to achieve revenue neutrality.

Oil

Because windfall profits were allowed as a major new net proceeds deduction in 1981, it is relevant to use only the years from that point forward. For the three years for which complete information is available, the effective rates for returns as filed is as follows:

Taxable Year	Effective Rate
1983	6.57%
1982	6.35%
1981	6.57%
Average	6.50%

Exhibit 1 -- SB 390
March 15, 1985

AN EQUAL OPPORTUNITY EMPLOYER

However, two adjustments need to be made to these statistics to arrive at a proper rate for SB 390.

The first adjustment is for the effect of SB 413 of the 1983 session which adjusted (retroactive to 1981) the windfall profit tax deduction. This adjustment will increase the effective rates by the following amounts:

Taxable Year	SB 413 Change In Effective Rate
1983	.49%
1982	.65%
1981	.35%
Average	.50%

The second adjustment needed is for changes as a result of audits. Audits typically reduce deductions from net proceeds. Using all oil proceeds audits that have been settled with taxpayers, audits increase taxable values by an average of 5.69%. When translated into effective rate terms, audits increase the effective rates by .40.

Considering all these factors, the appropriate oil rate for SB 390 should be 7.4%. This is arrived at as follow:

Returns as filed	6.50
SB 413 adjustment	.50
Audit adjustment	.40
Effective Rate, Oil	7.4%

STANDING COMMITTEE REPORT

March 15, 19 85

MR. PRESIDENT

We, your committee on Taxation

having had under consideration Senate Bill H No. 390

second reading copy (yellow color)

ESTABLISH UNIFORM RATE OF TAX FOR "NEW PRODUCTION" OF OIL AND NATURAL GAS.

Respectfully report as follows: That Senate Bill No. 390

be amended as follows:

1. Page 7, line 12.
Following: "~~6.3%~~"
Strike: "6.5%"
Insert: "7%"

2. Page 7, line 14.
Following: "~~9.2%~~"
Strike: "10%"
Insert: "11%"

AND AS AMENDED
DO PASS

~~XXXXXXXX~~ DO NOT PASS

Senator Thomas E. Towe, Chairman.

COURTESY OF THE
State Law Library
of Montana

HOUSE TAXATION COMMITTEE

49th Legislature

ill No.	Subject Matter	Date In	Sponsor	Hearing Date	Committee Action	Date Out
B 461	To authorize counties, etc. to issue tax & revenue anticipation notes to be sold at par or discount at public sale or at private sale to MT Econ. Dev. Board	3-18-85	Fuller	3-26-85	BE CONCURRED IN	3-26-85 p.m.
B 234	To prohibit the Dept. of Rev. from using replacement cost as a substitute for market value when appraising property	3-21-85	E. Smith	3-25-85	BE CONCURRED IN	3-25-85
B 330	To exclude certain income derived from sources outside the US when allocating & apportioning income for corporate license tax	3-21-85	Goodover	3-25-85	TABLED 3-26-85 p.m.	
B 390	To define new production of petroleum, oil, & natural gas	3-21-85	Mazurek	3-27-85	BE CONCURRED IN, AS AMENDED	3-29-85
B 436	To revise the deduction for household and dependent care expenses in computing new incomes for income tax	3-21-85	Bengtson	3-27-85	BE CONCURRED IN, AS AMENDED	3-29-85
B 455	To replace the distribution of 80% of corporation license & income taxes from banks & savings & loan associations	3-21-85	Towe	3-27-85	BE CONCURRED IN, AS AMENDED	3-29-85 p.m.

orm CS-32
-81

Rep. Gilbert asked Sen. Towe to explain the difference between the first and second page of the tables showing gains and losses in Richland County (Exhibit 3), and if the gains were based upon projections. Sen. Towe replied they were.

Rep. Gilbert asked if the bulk of income would come from Section 243. Sen. Towe replied it would and, referring to the fiscal note, said Section 243 deductions would gain $2.5 million annually, while consolidated returns will lose $500,000 annually, for a net gain of $2 million.

Rep. Patterson asked what the gain would be to Yellowstone County. Sen. Towe replied total income for August, 1984, was $583,000 and would increase to $701,000.

Rep. Patterson asked which county would receive the largest share of the funds. Sen. Towe replied it would be Missoula.

Rep. Sands asked Mr. LaFaver why the Department of Revenue didn't allow consolidated returns in the past. Mr. Jerry Foster, Administrator, Natural Resource and Corporation Tax Division, responded and said such returns were denied as they resulted in lost revenue and were difficult to administrate.

In closing, Sen. Towe told the Committee, the Department of Revenue has assured him it would suffer no problems if the bill passes, nor would there be a negative effect to Pacific Power and Light. He stated that prior to 1983, this was the law, until the Baker Bank case allowed the Section 243 deductions. Sen. Towe said the bill plugs loopholes allowed by the Baker Bank case for all Montana corporations. He commented he believes the bill is right and is sorry he did not support former State Rep. Yardley's bill last session.

CONSIDERATION OF SENATE BILL NO. 390: Senator Joe Mazurek, District #23, and sponsor of Senate Bill 390, told the Committee the bill was drafted to bring fairness and predictability to taxation of petroleum products in the state, by taxing the net proceeds of the "new" product. He said any taxation of net proceeds after deducting exemptions for production costs, is a property tax.

Sen. Mazurek said county mills vary from 90 to 290, including 200 school districts, and that the tax varies from 1% to 22% on wells. He explained the bill would stabilize the tax rate, while stimulating new oil production. He referred to the top of page 2, line 7, (2)(a), pertaining to net proceeds, and (2)(b), pertaining to natural gas, as important features of the bill.

Sen. Mazurek told the Committee the Governor's figures for the tax began at 6.3% on oil and 9.2% on natural gas, but the Governor and the Department of Revenue, as well as the industry, have agreed to work with 7% and 12%. He said Section 6-10 was

was amended in the Senate to ensure the bonding capability would be protected and Section 11 was amended to provide for allocation of the net proceeds tax on the same basis as the motor vehicle license tax. He said the tax will stabilize at a fixed rate (12.58%) and compares favorably with that of North Dakota (12.77%) and Wyoming (12.5%). He commented no net proceeds are paid in the Rocky Mountain Front, that projections were made for a 20 year period, based upon current levels, and are revenue neutral. He told the Committee Senate Bill 390 passed the Senate 49-1, and has good statewide support.

PROPONENTS: Mr. Tucker Hill, Director of Project 85, told the Committee he also represents 80 oil and gas producers in the state. He advised committee members the bill is a result of Project 85 study and would stabilize taxes on new production. He commended new production comprised 3-4% of the State's total production of 29 million barrels (or .5 million barrels).

Mr. Hill reiterated Sen. Mazurek's statement that taxation of new production varies all over the state from 1 to 22% and that he has no argument with the Department of Revenue's figures of 7% and 12%. He told the Committee taxation of new production has generated more than $75 million in revenue to the state to date, and asked the Committee to support two rates versus 3,000 rates.

Mr. Hill stated there is a need for the bill in view of production decreases and county budget increases. (Exhinit 4).

Mr. Pete Madison, Vice President, NARCO, (a subsidiary of Antec, which is related to Montana Power), told the Committee his organization spent $7.1 million in exploration of new production, of which $535,000 was spent in Montana, resulting in a gain of only one well in the State. He said his is a Montana-based corporation and runs projects through a geological study team in Billings and an economic analysis in Butte, prior to beginning them. He commented it is difficult, presently, to estimate new production tax and said Montana producers are penalized by high production aspects. Mr. Madison provided the Committee with tables of tax payments in his county (Exhibit 5).

Mr. John Shontz, representing Richland County, read from a prepared statement in support of SB 390 (Exhibit 6) and said during the past 18 months the taxable valuation of Richland County has decreased by $36 million, negatively affecting county school districts. He stated that simultaneously, North Dakota, in a similar area, has reached an all time high. Mr. Shontz added, "there has been an $1,820,000 loss to the foundation program from Richland County in 1984."

According to Mr. Shontz, geologically, Montana should have a similar number of wells to those in Wyoming and North Dakota (he used a large 4'x6' map for examples). He said there is a

need to provide incentives to people to invest in the state of Montana, which would be met by SB 390.

Ms. Nancy Zier, told the Committee she is a Billings area landman and collects land for oil and gas leases. She stated there is a problem in attracting those investors to the state ane encouraged the Committee to support SB 390.

Sen. Larry Tveit, District #11, told the Committee he represented the North East Gas, Oil & Mineral Association. He said the cost of drilling a dry hole in his area is $400,000.

Mr. Darwin VandeGraff, Montana Petroleum Association, advised the Committee he is willing to accept proposed rates (although they are higher than he would request), for the sake of uniformity.

Mr. Dave Goss, Billings Area Chamber of Commerce, told the Committee he supports SB 390.

Mr. Bill Vaughey, a small independent oil producer in Havre, stated his support of the bill. (Exhibit 6c)

OPPONENTS: Mr. Mike Stephen, representing Montana's oil, gas and coal producing counties, told the Committee he believes SB 390 is a bad bill, as the net proceeds tax is part of the property tax base for many counties. He also stated his belief that the net proceeds tax did not inhibit production in the state, but other factors were the problem.

Referring to the fiscal note, Mr. Stephen said the 5% increase in production is not enough and that the tax will be switched over to a flat tax, which must be distributed to the counties, while counties would have no control over the situation. He commented that 10 counties would gain income and 21 counties would lose income, should SB 390 pass.

Mr. Stephen proposed amendments on page 2, lines 1-5 (pertaining to new production), referring to new production after July 1, 1985, to provide an opportunity to see what new production is; page 7 line 12-14 (pertaining to total tax averages by district), increasing new production tax on oil to 8.1% and on gas to 14%, to provide a stable tax base for all counties and not just for oil and gas companies; page 7, line 19, to require quarterly payments the same as for oil and gas severance taxes for district #1.

Mr. Stephen said if fairness is the issue, then the severance tax should be reduced to increase production. He commented that in petroleum producing counties, mills are between 180 and 210, while they are as high as 258.95 in non-producing counties.

Mr. Bill Jones, Chairman, Montana Oil, Gas & Coal Counties, stated he believes the bill shifts taxation from one group to another and is special interest legislation. He said a 30% tax on a calf, as new production, could be correlated to the proposed tax to the oil industry and that the whole tax system needs overhauling.

Mr. Jim Hulverson told the committee he is a member of the Montana Oil, Gas & Coal Producing counties, and opposes the bill as it reduces the abilities of these counties to deal with the impacts of exploration and production and the tax burden is shifted to area farmers and ranchers. He stated that in his area, half of the drilling is on an Indian reservation, where royalties are 25%, while in most areas they are 1/8 or 1/16 of production. He commented that 25% doesn't seem to hinder exploration or production.

Mr. Delane Beach, Fallon County, told the Committee he believes oil is in the same shape as agriculture and that the cigarette tax will not help. He stated although the Fiscal Note indicates a gain for Fallon County, he believes the county will be harmed in the long run.

Mr. Ed McCoffey, Forsyth, advised committee members the state of California is low in oil production and asked if the problem was actually related to the tax structure or to the demand for oil.

QUESTIONS ON SENATE BILL NO. 390: Rep. Sands asked Mr. Tucker Hill if the bill would include tertiary oil. Mr. Hill replied it would not. Rep. Sands asked if the bill applied only to new production. Mr. Hill replied it would apply to "new" production on existing leases.

Rep. Switzer asked Mr. Hill if the new oil tax applied to leases now producing. Mr. Hill replied that production on a lease now in effect would not apply, as it could not be separated for tax purposes.

Rep. Switzer asked Sen. Stephens the same question. Sen. Stephens replied there should be a clean break between wells and leases, and what is old production.

Rep. Switzer asked how one could judge the impact to the counties when new production cannot be predicted. Sen. Stephens replied the new flat tax is progressive and that full implementation of the entire base would be reached in 20 years with no mill levy to apply.

Rep. Schye asked Sen. Mazurek if the statewide average was estimated by using only oil producing counties. Sen. Mazurek replied it was.

There were no further questions from the Committee and, in closing, Sen. Mazurek told the Committee the tax on oil production in adjacent states is a factor to be considered.

CONSIDERATION OF SENATE BILL NO. 436: Sen. Esther Bengston, District #49, sponsor of SB 436, told committee members the bill was drafted at the request of a Billings area accountant and would simplify forms used for deducting child care expenses (Exhibit 7). She said Mr. Erwin Hall, Audit Bureau Chief Income Tax Division, Department of Revenue, created a simpler form for this purpose and that the bill deletes a portion of the code, (referring to federal law), while inserting what applies to Montana, (incongruence with federal law).

Sen. Bengston said the Senate Taxation Committee realized there had been no changes in allowances for child care since 1974, and put a cap on income limitations, (page 4, lines 5-10 and line 16). She stated the fiscal impact was originally $157,000 annually, so income was limited to $26,000, necessitating a change in the fiscal note to an $88,000 annual impact.

There were no proponents and no opponents to Senate Bill 436.

QUESTIONS ON SENATE BILL NO. 436: Rep. Williams asked Sen. Bengston what the break-even point would be on income. Sen. Bengston replied that if the Committee used $34,000 as an income cap, there would be 1,500 more claims filed.

In closing, Sen. Bengston asked the Committee to support Senate Bill 436.

There being no further business before the Committee, the meeting was adjourned at 9:57 a.m.

Gerry Devlin

REPRESENTATIVE GERRY DEVLIN, Chairman

Exhibit 4
SB 390

PROJECT 85 LEGISLATIVE PROPOSAL

SENATE BILL 390

SITUATION

Net proceeds taxes are property taxes paid on oil or gas production.

Net proceeds are Class 1 property which means oil or gas is taxed at 100% of its net value. Only oil and gas are taxed in this class.

Net proceeds are paid to county governments. In 1984 thirty-one Montana counties received over $75 million.

The rate of net proceeds paid varies widely from county to county, school district to school district, and from year to year because oil and gas is subject to local mill levies.

Each of nearly 3000 of Montana's total oil or gas leases has a different tax rate and each of those 3000 leases change every year. Rates vary from 1% to over 20% for net proceeds taxes alone.

WHAT DO WE PROPOSE?

New production from leases will be taxed at the statewide average for net proceeds -- 7% of gross for oil and 11% for natural gas.

All taxes on new production will be paid to county governments just as current net proceeds taxes are.

Existing production will be taxed as it is. No changes for existing production.

WHAT WILL SENATE BILL 390 DO?

Averaging net proceeds taxes at 7% for oil and 11% for gas will make state taxes paid for oil or gas predictable and comparable to rates paid in North Dakota and Wyoming.

WHY DO WE WANT THIS CHANGE?

A predictable tax rate at a reasonable level allows investors to predict after tax rate of return. We want two rates rather than 3000 rates.

IS THIS A TAX REDUCTION?

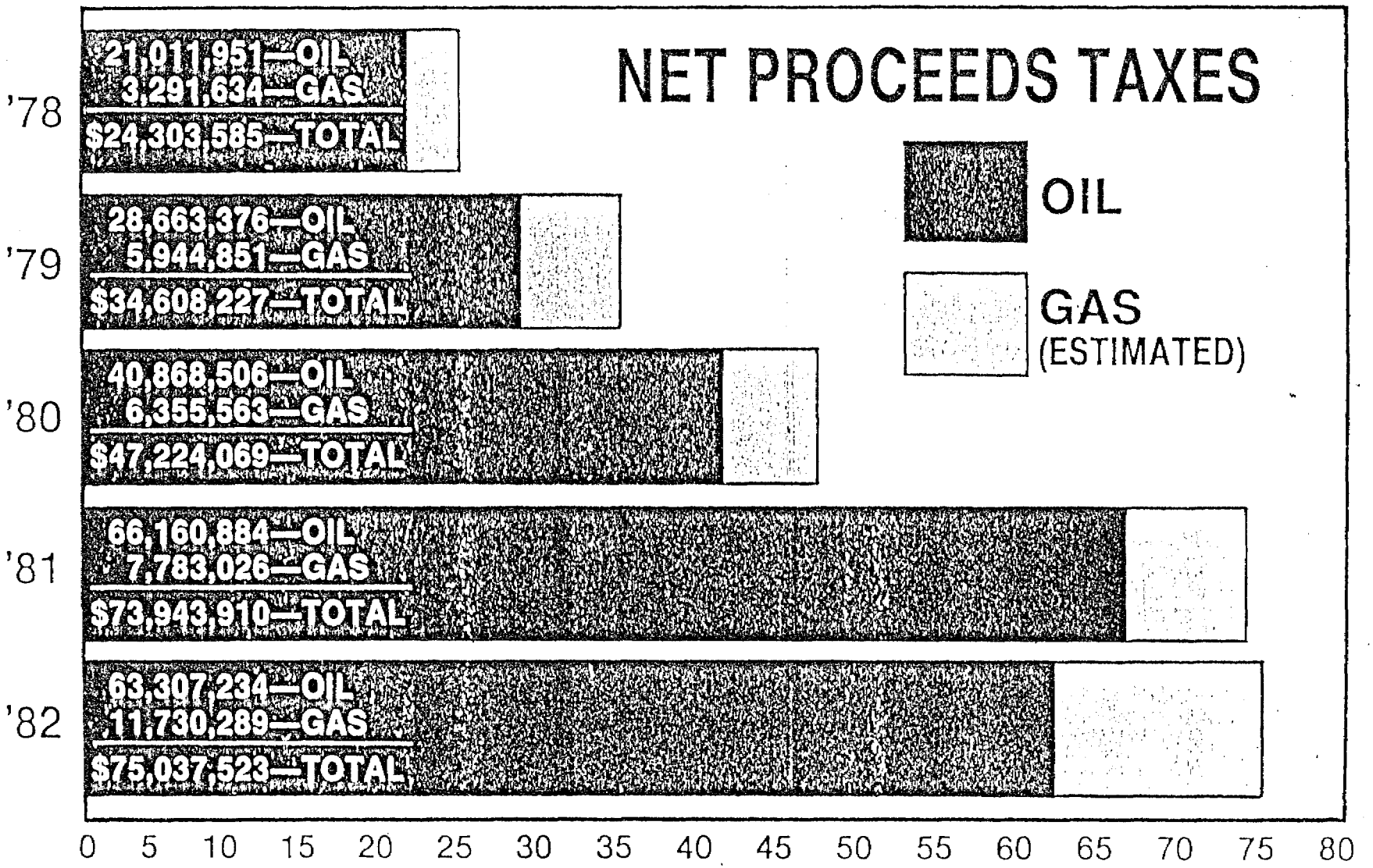
No. We are asking for a rate that is equal to the statewide average.

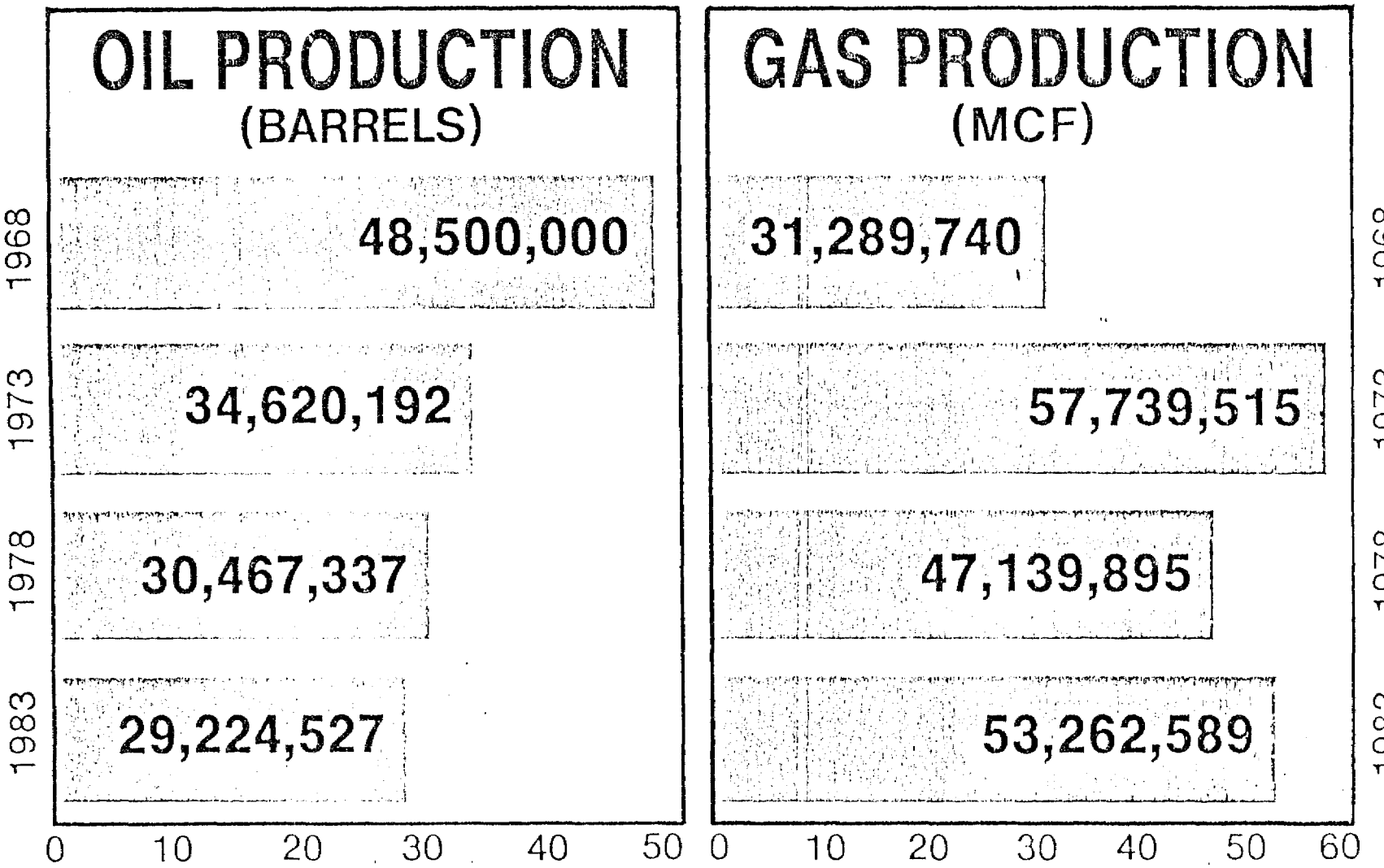
WILL THIS CHANGE ENCOURAGE ADDITIONAL INVESTMENT?

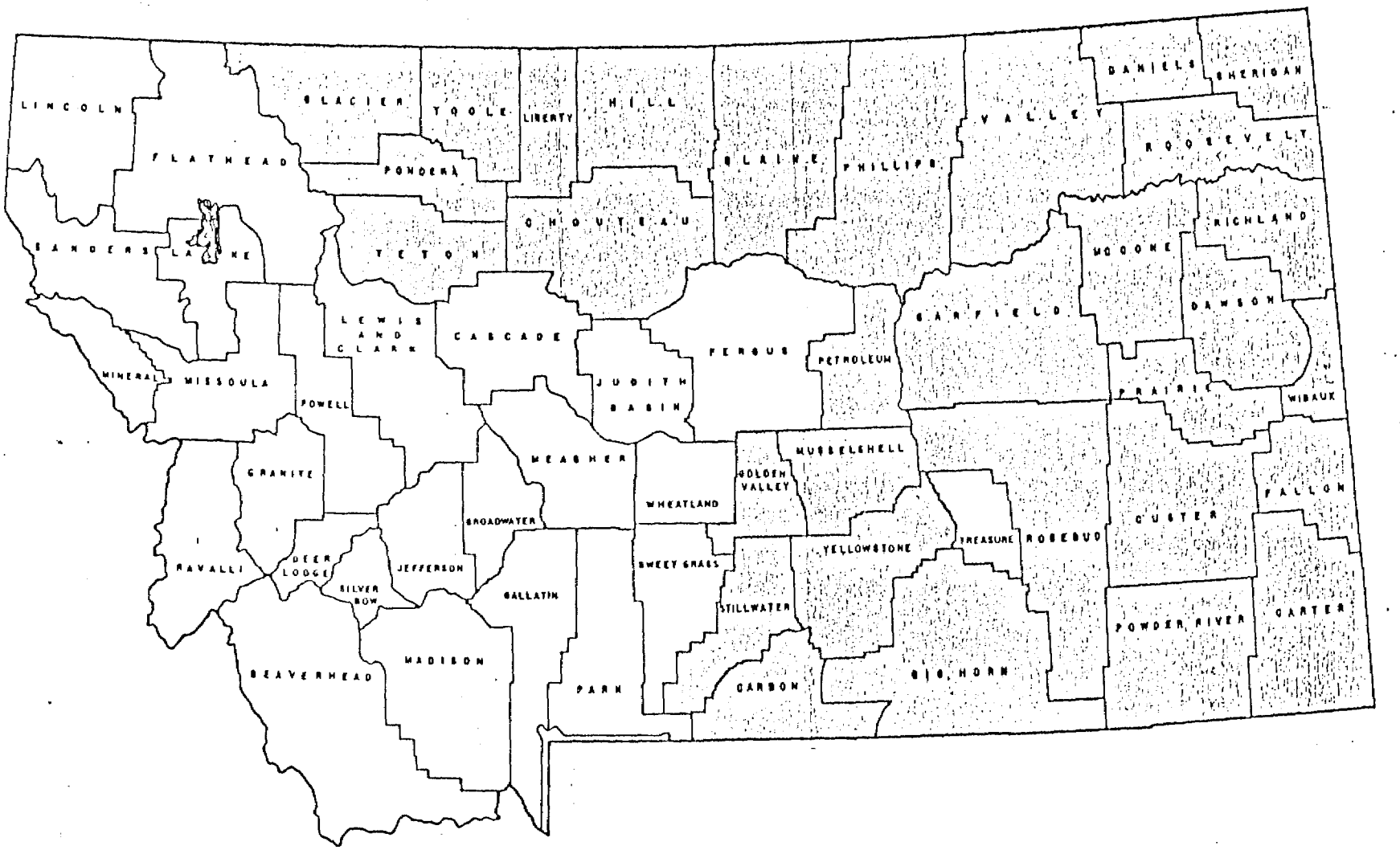
Yes. Certainly. Legislators have received copies of letters from several individuals and corporations which support the idea that additional investment, and therefore additional production, will follow passage of Senate Bill 390.

WHAT PERCENTAGE OF MONTANA'S PRODUCTION WOULD COME UNDER THIS UNIFORM TAX SYSTEM EACH YEAR?

New oil production in Montana, as defined in Senate Bill 390, in 1984 was approximately 700,000 barrels or about 3% of Montana's total oil production. If Senate Bill 390 is passed, new production will increase.


NET PROCEEDS TAXES
OIL
GAS
(ESTIMATED)
'78
21,011,951—OIL
3,291,634—GAS
$24,303,585—TOTAL
'79
28,663,376—OIL
5,944,851—GAS
$34,608,227—TOTAL
'80
40,868,506—OIL
6,355,563—GAS
$47,224,069—TOTAL
'81
66,160,884—OIL
7,783,026—GAS
$73,943,910—TOTAL
'82
63,307,234—OIL
11,730,289—GAS
$75,037,523—TOTAL
0 5 10 15 20 25 30 35 40 45 50 55 60 65 70 75 80


OIL PRODUCTION
(BARRELS)
1968
48,500,000
1973
34,620,192
1978
30,467,337
1983
29,224,527
0
10
20
30
40
50
GAS PRODUCTION
(MCF)
31,289,740
57,739,515
47,139,895
53,262,589
0
10
20
30
40
50
60



Shaded areas: Oil and gas producing counties.

3-2-15
EX. 4

TOTAL AVERAGE TAX AND SPECIAL DISTRICT TAXES — 1984

	Total Average Levy for State, County and Schools	Fire Districts (Incl. Forest Fire Protection)	Miscellaneous Districts	Total Taxes Levied for all purposes except Cities & Towns
Beaverhead	250.71	$ 34,890	$ 220,169	$ 4,060,880
Big Horn	103.01	——	225,966	13,486,106
Blaine	167.53	——	436,042	6,100,841
Broadwater	189.83	135,400	304,269	2,485,092
Carbon	192.90	57,248	121,250	5,652,124
Carter	216.72	598	93,217	1,598,008
Cascade	346.81	123,513	2,148,961	47,654,697
Chouteau	205.82	31,253	627,906	6,871,901
Custer	342.55	——	315,547	6,443,870
Daniels	260.15	808	84,223	2,207,067
Dawson	259.38	17,850	634,943	8,026,594
Deer Lodge	370.68	315,141	124,402	5,009,920
Fallon	85.93	122,495	85,998	10,225,935
Fergus	275.03	55,541	258,021	6,183,514
Flathead	278.28	479,953	1,054,529	24,116,935
Gallatin	279.32	259,983	1,179,924	17,802,909
Garfield	197.85	——	85,158	1,463,862
Glacier	198.95	232	184,570	9,311,976
Golden Valley	180.11	78	75,253	1,106,280
Granite	237.58	31,414	140,514	1,520,359
Hill	234.24	113,718	378,689	11,012,423
Jefferson	227.19	43,626	173,536	3,748,978
Judith Basin	257.39	15,680	168,229	2,535,391
Lake	244.44	184,163	1,706,459	8,306,277
Lewis & Clark	334.80	194,492	683,917	20,423,118
Liberty	151.75	19,026	155,069	3,243,625
Lincoln	220.14	138,695	285,105	7,725,361
Madison	204.10	51,222	170,529	3,563,815
McCone	223.42	247	269,834	2,710,037
Meagher	196.35	8,829	86,736	1,689,254
Mineral	358.65	33,354	16,032	1,638,274
Missoula	274.41	1,483,871	1,549,612	36,091,388
Musselshell	115.42	——	25,864	3,173,822
Park	264.53	89,274	237,767	5,065,001
Petroleum	161.71	——	9,305	546,076
Phillips	134.37	——	362,547	5,695,093
Pondera	207.05	29,356	118,511	5,319,508
Powder River	82.59	15,406	65,881	6,108,266
Powell	233.83	80,926	92,652	3,429,746
Prairie	170.85	2,469	278,869	1,418,805
Ravalli	223.22	172,926	500,772	6,258,780
Richland	117.40	4,981	905,625	15,761,521
Roosevelt	166.28	27,411	359,465	12,956,194
Rosebud	100.08	54,244	957,424	25,488,346
Sanders	214.16	108,171	294,861	4,878,708
Sheridan	118.82	206,108	37,296	10,705,451
Silver Bow	389.05	1,615,643	2,196,539	22,527,149
Stillwater	237.17	24,262	149,570	3,728,009
Sweet Grass	206.26	——	2,314	1,502,550
Teton	210.14	933	997,444	4,935,617
Toole	138.54	——	162,638	6,890,194
Treasure	206.35	——	47,399	1,013,951
Valley	179.66	1,286	353,521	8,241,367
Wheatland	206.89	385	79,874	1,558,274
Wibaux	105.74	82,676	27,843	3,107,791
Yellowstone	219.90	15,515	2,064,619	45,059,012
TOTAL		$ 6,485,292	$ 24,373,209	$ 489,386,042

Exhibit 5.
SB 390

NARCO - 1984 ACTUAL PRODUCTION TAXES

Prospect	State	1984 Revenues ($)	1) 1984 Production Taxes ($)	Production Taxes % of Rev.
Dry Creek	Montana	219,827	100,376	2) 45.7
Cut Bank	Montana	2,252,127	479,908	21.3
Reagan	Montana	2,861,705	744,513	26.0
Bowdoin	Montana	531,527	15,415	3) 2.9
Brush Lake	Montana	127,052	17,611	13.9
Gumbo Ridge	Montana	91,605	7,228	7.9
Whitlash	Montana	20,514	3,604	17.6
Heart Mountain	Wyoming	15,948	1,429	9.0
Thorson	Wyoming	295,190	38,434	13.0
Finn Shirley	Wyoming	72,300	8,980	12.4
Art Creek	Wyoming	19,580	2,577	13.2
Poydras	Louisiana	32,963	4,086	12.4
Cowden Ranch	Texas	7,655	352	4.6
Wilkens	Utah	86,456	10,875	12.6
Moore	Colorado	2,243	248	11.1
Bellwether	Colorado	272,131	30,099	11.1
Lind	Colorado	73,987	5,626	7.6
Monument Butte	Wyoming	728,694	69,689	9.6
Dobie Creek	Wyoming	16,524	1,112	6.7
Wolf Springs	Montana	138,087	39,700	28.7
Brandt Farms	Kansas	28,400	2,272	8.0

1) Does not include Windfall Profit Taxes.

2) Abnormally high because 1984 Net Proceeds Taxes are paid on 1983 production and in Dry Creek production declined from 18,632 Bbls. in 1983 to 8,219 Bbls. in 1984.

3) NARCo pays no production taxes in Bowdoin. These taxes are paid by the gas purchaser.

Exhibit 6
SB390

MEMORANDUM

TO: Interested Legislators
FROM: J. Shontz
RE: School Foundation Program

Attached are several graphs:

(1) - the quarterly price of crude oil during the past ten years in Montana,

(2) - Montana oil production by fiscal quarter during the past ten years,

(3) - Annual oil production in Montana during the past ten years,

(4) - Montana general fund revenue by fiscal quarter from oil and gas during the past ten years,

(5) - quarterly oil production in Richland County during the past ten years.

(6) - Annual oil production in Richland County during the past ten years.

The sharp decline in Richland County oil production is proving expensive for Montana. In FY 1983 Richland County contributed $2,410,442 to the Montana School Foundation program after county-wide equalization occurred.. This money was re-distributed throughout the state. This amounted to $178.55 for every man woman and child in the County.

In FY 1984 this amount, while still formidable, DECREASED OVER ONE MILLION DOLLARS ($1,000,000). The 1985 contribution was $1,263,008 or $93.55 per man, woman, and child in Richland County.

For the coming fiscal year Richland County taxpayers will contribute $590,008 to the Montana school foundation program for distribution statewide. This amounts to $43.70 for every person in Richland County. THIS REPRESENTS A LOSS TO THE FOUNDATION PROGRAM OF $1,820,434 IN JUST TWO YEARS.

In fact, this year the largest school district in the County (Sidney) will draw from the equalization program. While the Sidney elementary district will contribute $336,284, the Sidney high school district will draw $504,112. This amounts to a net draw from the foundation program of $167,828.

Given the current trend in oil pricing and production, Richland County schools will begin drawing funds from the state-wide equalization fund in the second year of the upcoming biennium....a loss of at least $2,400,000 cash in just four years.

Also attached is a chart listing the annual and adjusted annual contributions of the oil and gas industry to Montana's general fund since 1927..sixty years of revenue to Montana.

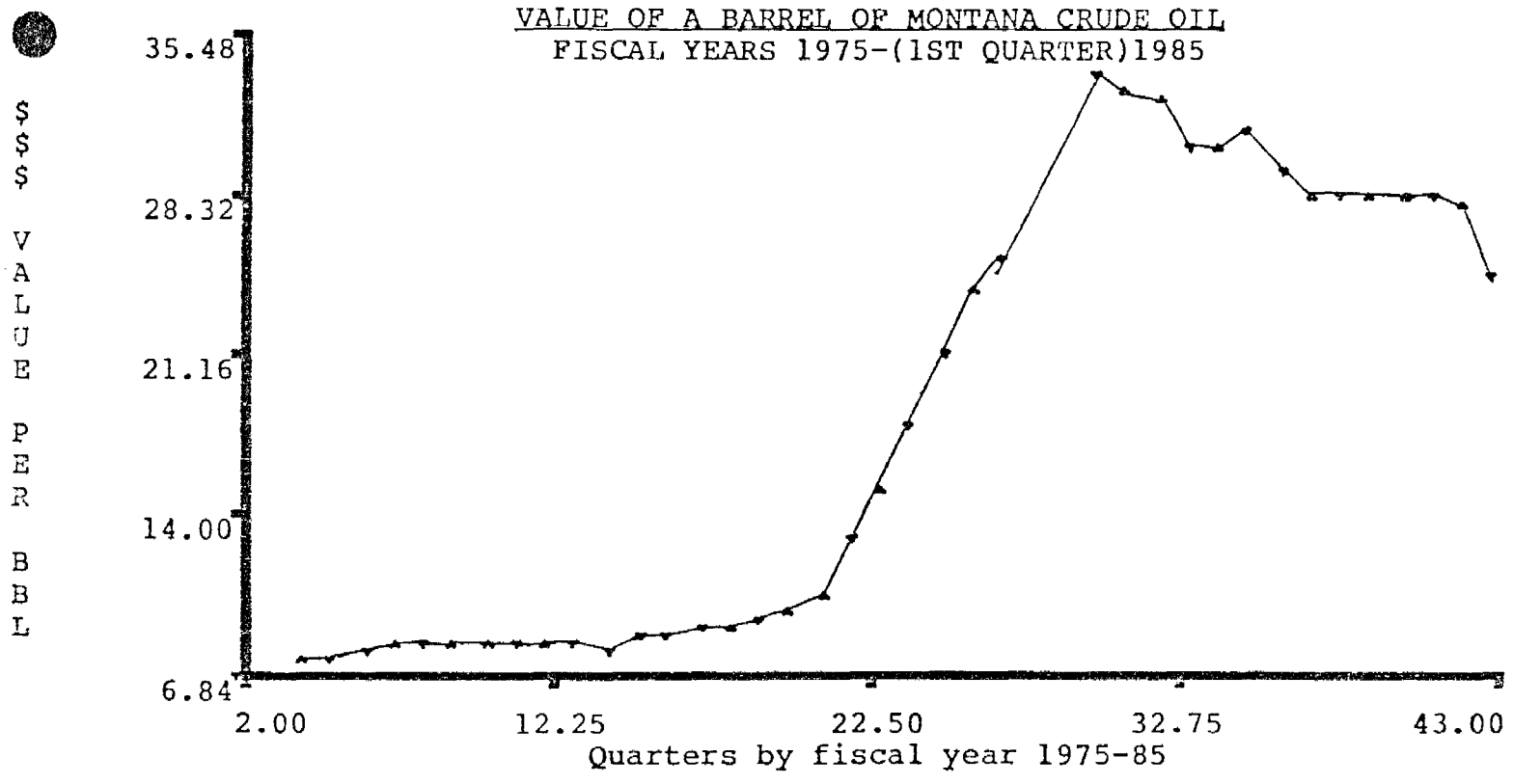
Senate Bill 390 needs an opportunity to function if Montana wants to EXPAND THE TAX PAYING AND JOB GENERATING PIE OF MONTANA'S ECONOMY.

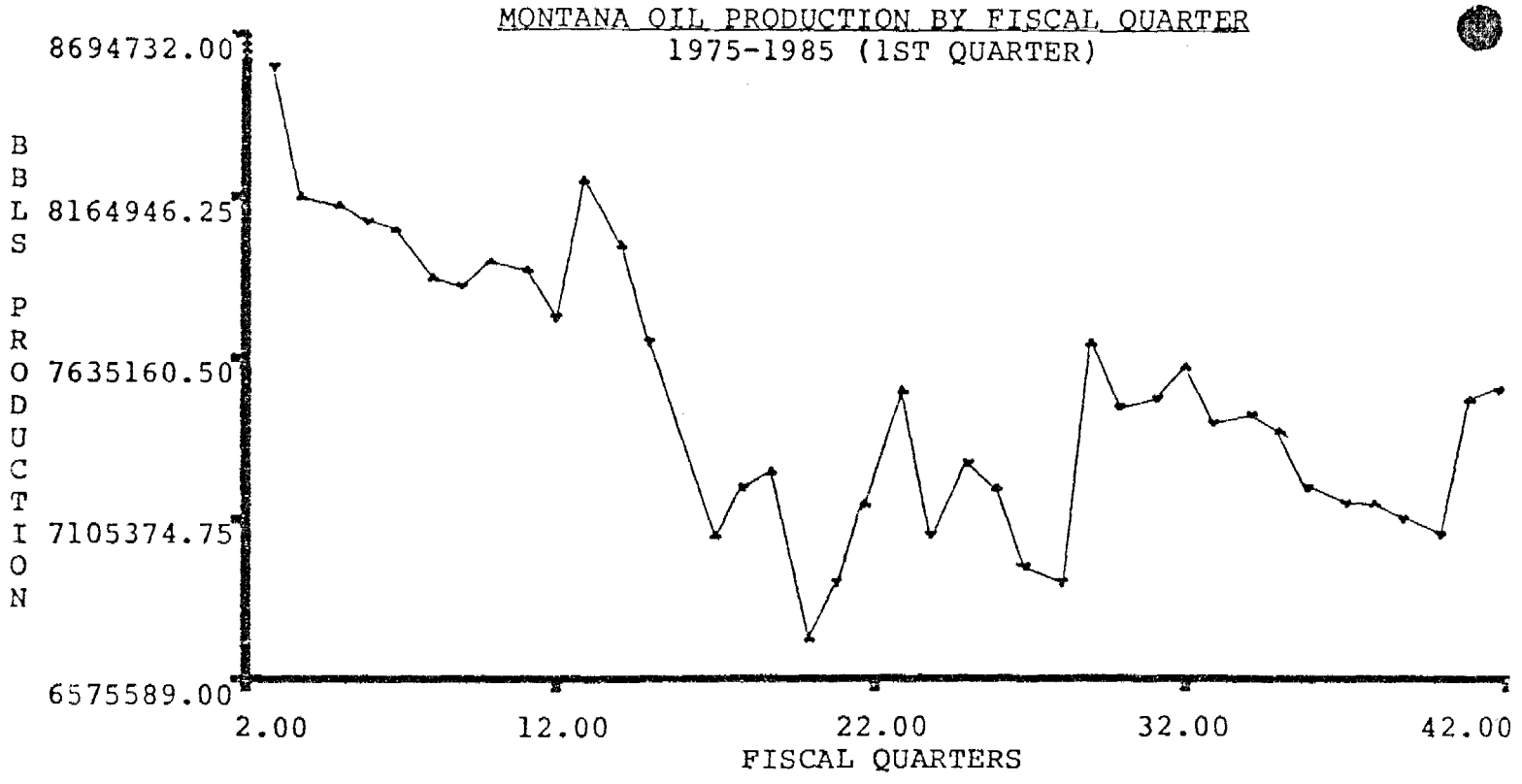
Why? Richland County's taxable valuation has dropped $36,000,000 in the past eighteen months..the loss is continuing at a rate of $50,000 per day....a tremendous loss to the foundation program alone.

Yet North Dakota's oil production reached an all-time high of 54,000,00 barrels in 1984....with a stable tax rate in the same geology as Montana in the Williston Basin.

During the past two years, Richland County has lost 2,000 jobs or 28% of its labor force...all in the mining sector. Dawson County has suffered a decline in retail sales of over $10,000,000 during the same period.

Clearly Montana's dependence on natural resource extraction tax revenue as a major funding source is dangerous unless we can stabilize oil and gas production in the state.

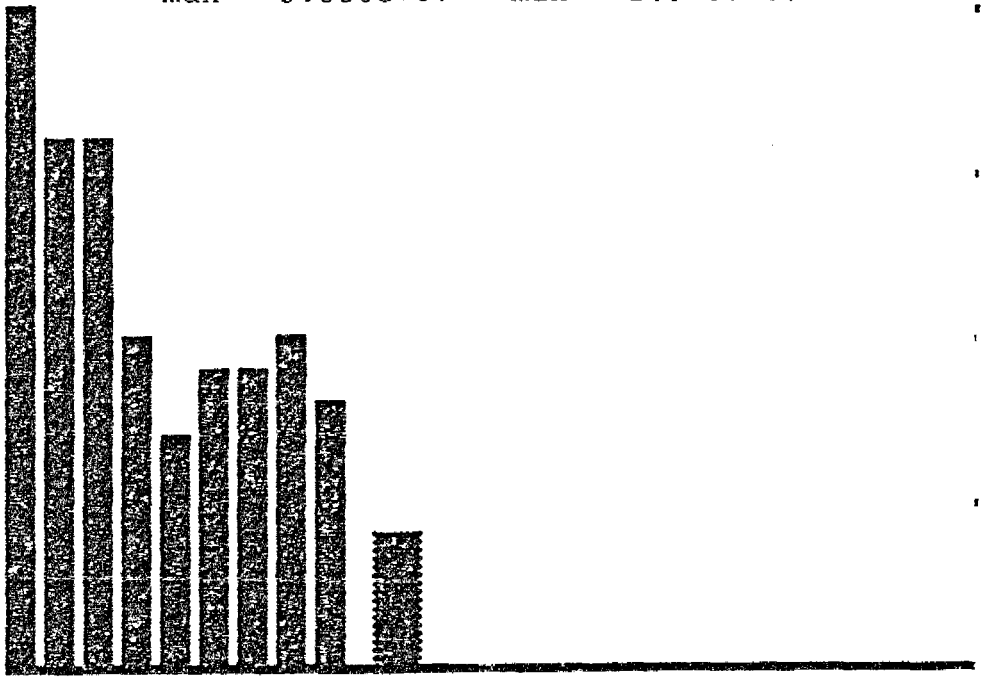

VALUE OF A BARREL OF MONTANA CRUDE OIL
FISCAL YEARS 1975-(1ST QUARTER)1985
$$$ VALUE PER BBL
35.48
28.32
21.16
14.00
6.84
2.00
12.25
22.50
32.75
43.00
Quarters by fiscal year 1975-85


MONTANA OIL PRODUCTION BY FISCAL QUARTER
1975-1985 (1ST QUARTER)
8694732.00
8164946.25
7635160.50
7105374.75
6575589.00
BBLS PRODUCTION
2.00
12.00
22.00
32.00
42.00
FISCAL QUARTERS

A	1975	3.358e+07
B	1976	3.198e+07
C	1977	3.190e+07
D	1978	2.928e+07
E	1979	2.814e+07
F	1980	2.907e+07
G	1981	2.880e+07
H	1983	2.929e+07
I	1984	2.824e+07
J	1985	6701552.00
K	1985(est)	2.681e+07
L	1975	1638180.00
M	1976	1688412.00
N	1977	2206820.00
O	1978	2773010.00
P	1979	3601362.00
Q	1980	4356466.00
R	1981	4720246.00
S	1982	5993211.00
T	1983	5423130.00
U	1984	4857679.00

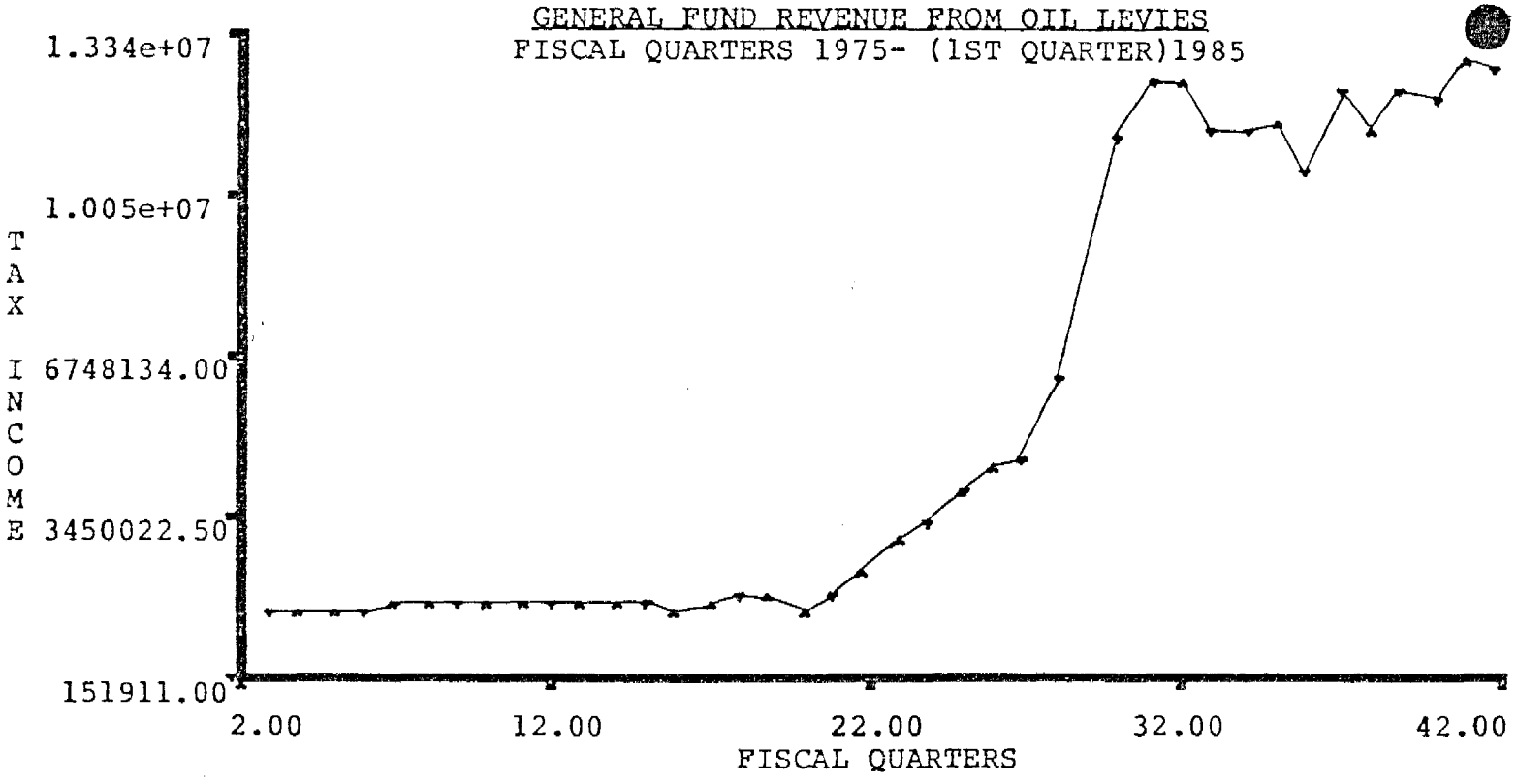
MONTANA OIL PRODUCTION 1974-1985*

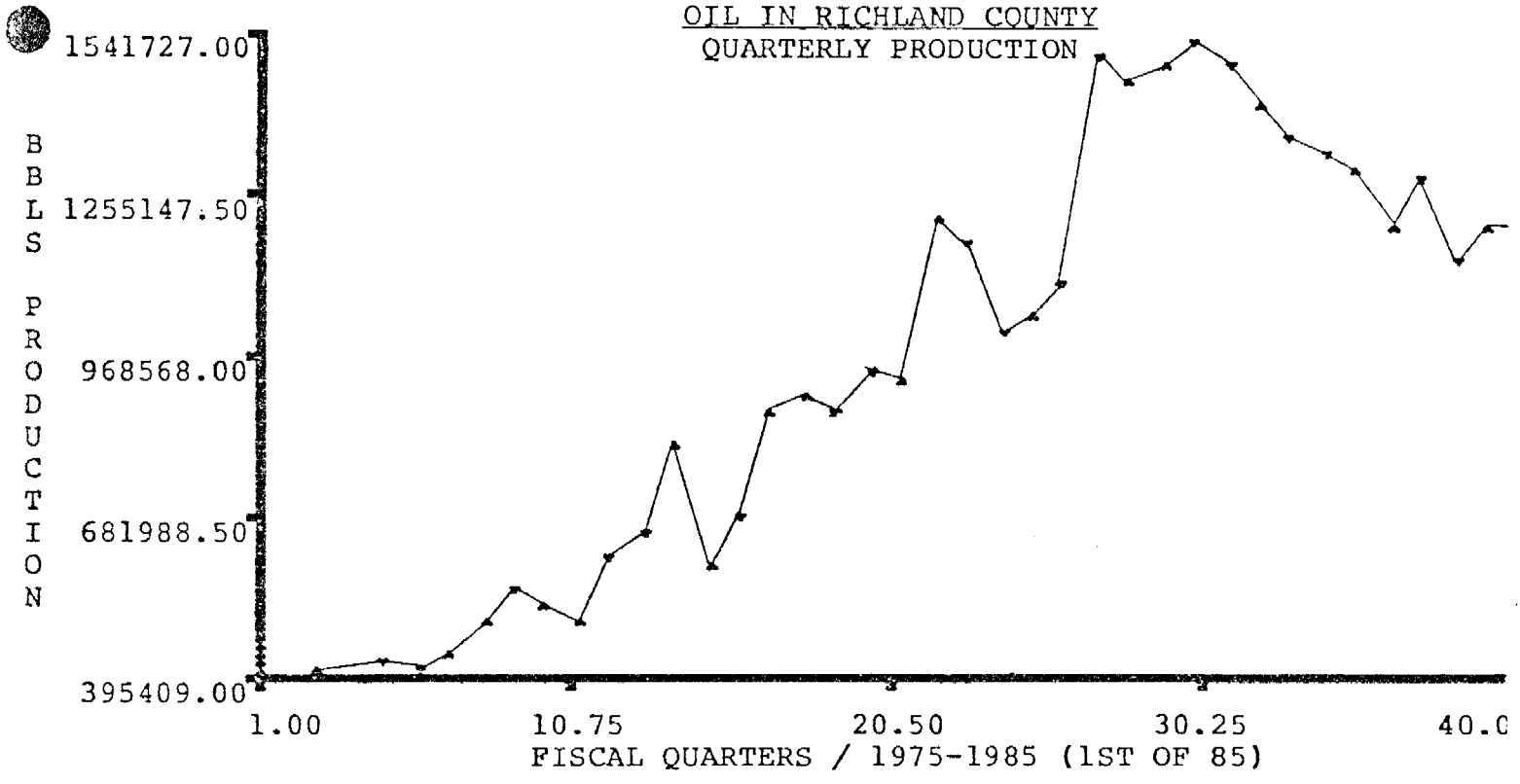
max = 3.358e+07 min = 2.500e+07



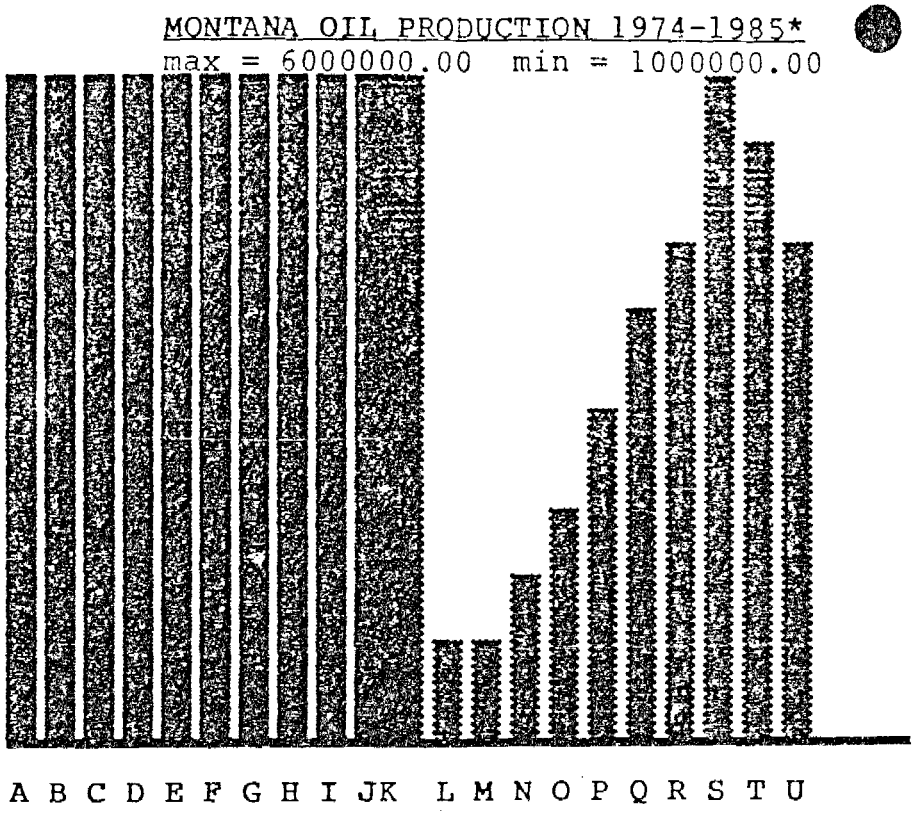
A B C D E F G H I JK L M N O P Q R S T U

* Item "JK" provides an estimate of Montana Oil Production for FY 1985 if 1st quarter production were constant throughout the year. Items "L" through "U" are off the chart and not applicable to this comparative.


GENERAL FUND REVENUE FROM OIL LEVIES
FISCAL QUARTERS 1975- (1ST QUARTER)1985
1.334e+07
1.005e+07
TAX INCOME
6748134.00
3450022.50
151911.00
2.00
12.00
22.00
32.00
42.00
FISCAL QUARTERS


OIL IN RICHLAND COUNTY
QUARTERLY PRODUCTION
1541727.00
1255147.50
968568.00
681988.50
395409.00
BBLS PRODUCTION
1.00
10.75
20.50
30.25
40.0
FISCAL QUARTERS / 1975-1985 (1ST OF 85)

A	1975	3.358e+07
B	1976	3.198e+07
C	1977	3.190e+07
D	1978	2.928e+07
E	1979	2.814e+07
F	1980	2.907e+07
G	1981	2.880e+07
H	1983	2.929e+07
I	1984	2.824e+07
J	1985	6701552.00
K	1985(est)	2.681e+07
L	1975	1638180.00
M	1976	1688412.00
N	1977	2206820.00
O	1978	2773010.00
P	1979	3601362.00
Q	1980	4356466.00
R	1981	4720246.00
S	1982	5993211.00
T	1983	5423130.00
U	1984	4857679.00



* Items "A" through "K" reflect Montana Production. They top off this particular chart. Items "L" through "U" reflect annual changes in oil production in Richland County, Montana.

MONTANA STATE TAX COLLECTIONS
General Fund Revenues*

FY	Oil&Gas	Oil&Gas Adj.
1927	174,071	NA
1928	127,364	NA
1929	157,020	3,423,036
1930	148,463	3,206,800
1931	85,099	1,753,039
1932	50,850	961,065
1933	49,066	937,160
1934	89,885	442,783
1935	146,348	720,926
1936	181,475	898,391
1937	213,739	1,032,855
1938	184,318	890,425
1939	149,288	818,169
1940	172,359	824,684
1941	197,255	909,009
1942	250,609	1,099,162
1943	265,251	1,119,202
1944	286,767	1,156,318
1945	294,643	1,142,027
1946	294,334	1,032,750
1947	355,666	1,097,734
1948	498,045	1,368,255
1949	524,318	1,347,861
1950	527,737	1,356,650
1951	532,553	1,258,990
1952	534,344	1,211,664
1953	688,907	1,524,130
1954	788,321	1,695,313
1955	803,512	1,688,050
1956	1,022,335	2,036,523
1957	1,399,453	2,660,557
1958	1,963,277	3,649,213
1959	2,003,410	3,653,952
1960	2,040,758	3,611,961
1961	1,987,529	3,426,774
1962	2,122,492	3,531,600
1963	2,071,992	3,363,623
1964	2,086,074	3,307,407
1965	2,056,330	3,168,459
1966	2,284,166	3,356,007
1967	2,402,810	3,318,798
1968	2,536,543	3,320,082

1969	3,504,061	4,273,245
1970	3,417,604	3,883,642
1971	3,185,128	3,363,387
1972	3,080,542	3,080,542
1973	3,105,120	2,901,981
1974	4,662,627	3,951,278
1975	6,553,344	5,064,408
1976	7,609,210	5,501,959
1977	7,411,536	4,994,296
1978	7,731,183	4,841,066
1979	8,207,676	4,725,202
1980	11,808,580	6,166,360
1981	21,694,464	10,430,000
1982	53,733,236	24,117,251
1983**	47,948,000	20,214,617
1984*3	35,484,000	14,137,051
1985*3	33,399,000	13,097,647
1986~	27,272,862	10,481,499
1987~	26,272,333	10,089,221+

* Unless otherwise noted, this information was developed by the Montana Department of Revenue.

** Legislative Fiscal Analyst.

*3 Legislative Fiscal Analyst...estimated collections

~ House of Representatives estimates found in House Joint Resolution Nine.

\+ This column notes the "buying power" of the revenue for each year from each source. The parity year is 1972. The implicit price deflator is from the Bureau of Economic Analysis, U.S. Dept. of Commerce and the Montana Legislative Fiscal Analyst. The deflator is designed for local and state governments.

Exhibit 6
SB 390

OIL AND GAS

1983 Production—Taxable 1984

		Bbl. or MCF Extracted	Gross Value	Net Proceeds	Royalty Interests	Total Amount Taxable	Percent
Big Horn	Gas	19,109	$ 8,248	$ ——	$ 2,936	$ 2,936	0.71
	Oil	78,555	2,027,802	802,717	233,682	1,036,400	
Blaine	Gas	8,174,997	19,423,650	14,902,036	2,458,606	17,360,642	49.5
	Oil	183,160	3,797,469	1,720,292	601,982	2,322,274	
Carbon	Gas	1,539,361	3,679,653	2,205,136	328,740	2,533,876	36.8
	Oil	677,589	17,760,593	8,692,677	1,136,030	9,828,708	
Carter	Gas	82,101	266,283	62,730	9,258	71,988	8.2
	Oil	33,245	952,659	498,982	75,808	574,790	
Chouteau	Oil	1,361,440	2,929,559	1,593,467	493,513	2,086,980	5.4
Custer	Gas	88,376	97,941	33,040	13,578	46,619	0.18
Daniels	Oil	14,432	360,12	9,636	55,161	64,797	0.12
Dawson	Gas	4,065	2,195	824	157	981	21.0
	Oil	535,493	15,611,541	6,018,868	1,382,752	7,401,620	
Fallon	Gas	1,211,331	4,066,726	1,932,570	365,898	2,298,468	83.2
	Oil	6,000,032	166,746,296	88,405,855	11,393,160	99,799,015	
Fergus	Gas	16,768	46,515	18,843	2,295	21,138	0.08
Garfield	Oil	13,813	418,734	262,222	17,886	280,108	4.0
Glacier	Gas	3,574,831	8,014,831	5,150,262	1,022,816	6,173,078	49.4
	Oil	1,392,774	40,235,440	15,989,367	5,287,013	21,276,379	
Golden Valley	Gas	220,809	108,773	52,560	19,837	72,397	1.1
Hill	Gas	5,662,584	14,005,173	10,473,620	1,905,710	12,379,330	24.2
	Oil	889	25,471	4,377	4,701	9,078	
Liberty	Gas	2,022,552	4,351,054	2,698,113	510,941	3,209,054	44.5
	Oil	380,859	11,008,876	5,767,147	967,587	6,734,734	
McCone	Oil	95,318	2,784,524	535,014	325,877	860,891	5.1
Musselshell	Oil	952,166	28,001,897	13,831,146	5,064,861	18,896,008	50.8

OIL AND GAS

1983 Production—Taxable 1984

		Bbl. or MCF Extracted	Gross Value	Net Proceeds	Royalty Interests	Total Amount Taxable	Percent
Petroleum	Oil	67,159	2,029,477	1,051,853	155,380	1,207,233	36.7
Phillips	Gas	7,796,719	22,057,678	15,079,293	1,619,495	16,698,788	42.9
	Gas	1,142,945	2,810,326	1,666,610	307,949	1,974,558	26.6
Pondera	Oil	433,888	12,473,568	4,705,471	1,595,259	6,300,729	
	Gas	99,378	21,71	12,494	1,922	14,416	62.1
Powder River	Oil	2,813,835	84,629,154	49,613,960	10,299,251	59,913,211	
	Gas	550	2,723	1,339	143	1,482	28.9
Prairie	Oil	134,550	3,746,070	1,629,020	177,822	1,806,842	
	Gas	2,476,037	6,461,888	3,563,782	830,487	4,394,269	47.0
Richland	Oil	5,210,581	154,656,572	64,30,597	20,632,505	84,939,101	
	Gas	741,35	1,372,205	701,789	163,261	865,050	42.7
Roosevelt	Oil	2,331,670	69,029,389	31,991,632	8,090,749	40,082,381	
	Gas	5,107	78,712	1,846	5,817	7,663	7.4
Rosebud	Oil	1,151,175	33,768,740	16,487,179	3,373,591	19,860,770	
	Gas	1,088,615	1,843,325	1,105,863	221,856	1,327,719	62.8
Sheridan	Oil	3,585,209	102,654658	53,690,196	12,847,716	66,537,912	
	Gas	705,526	1,644,044	971,943	249,304	1,221,247	7.[illegible]
Stillwater	Oil	17,506	308,846	53,552	32,542	86,093	
	Gas	1,002,135	1,348,825	250,776	132,828	383,604	10.6
Teton	Oil	142,861	4,118,461	1,599,012	609,818	2,208,830	
	Gas	6,999,799	15,802,006	9,501,538	2,121,661	11,623,199	55.3
Toole	Oil	1,196,098	32,924,419	14,292,171	3,893,162	18,185,333	
	Gas	262,704	496,984	183,035	51,259	234,294	20.6
Valley	Oil	406,538	11,422,446	6,841,09	1,230,340	8,071,435	
	Gas	122,987	608,909	299,483	31,903	331,385	70.9
Wibaux	Oil	1,447,106	40,503,904	19,492,367	2,305,151	21,797,518	
Yellowstone	Oil	23,918	684,117	182,891	80,164	263,055	0.09
	Gas	46,422,761	111,549,979	72,462,990	12,872,171	85,335,161	
Totals	Oil	29,320,419	842,681,933	408,475,297	91,869,951	500,345,248	

3-27-85
Exhibit #6
SB 390

STIPULATIONS FOR OIL AND GAS LEASE SALE NO. 81, FORT PECK RESERVATION, MT

(July 8, 1982)

The following stipulations will be added to and made a part of each oil and gas mining lease issued for Sale No. 81 held July 8, 1982 on the Fort Peck Reservation:

Stipulation No. 1

Royalty for oil and/or gas. The royalty rate of 25 percent gross production per oil and/or gas well will be paid to the mineral owner(s).

Stipulation No. 2

Indian Employment Preference. The lessee shall give preference in employment to Indians qualified to perform the required services, residing on or near the Fort Peck Reservation as defined in the Act of May 1, 1888, c. 213, 25 Stat. 113. The lessee shall cooperate with the Tribal Executive Board and Tribal employment agencies in carrying out this preference right.

Stipulation No. 3

Penalty For Late Payment of Underpayment. Any lessee who fails to make timely or full, or proper, payment of any monies due to the mineral owner(s) pursuant to the lease, shall pay a penalty of 10 percent of the amount past due plus interest at the prime rate plus 2 points from the due date to the date of payment. Prime rates shall be not less than the prime rate figures maintained by the Federal Reserve Board.

STIPULATIONS FOR OIL AND GAS LEASE SALE NO. 81, FORT PECK RESERVATION, MT

(July 8, 1982)

The following stipulations will be added to and made a part of each oil and gas mining lease issued for Sale No. 81 held July 8, 1982 on the Fort Peck Reservation:

Stipulation No. 1

Royalty for oil and/or gas. The royalty rate of 25 percent gross production per oil and/or gas well will be paid to the mineral owner(s).

Stipulation No. 2

Indian Employment Preference. The lessee shall give preference in employment to Indians qualified to perform the required services, residing on or near the Fort Peck Reservation as defined in the Act of May 1, 1888, c. 213, 25 Stat. 113. The lessee shall cooperate with the Tribal Executive Board and Tribal employment agencies in carrying out this preference right.

Stipulation No. 3

Penalty For Late Payment of Underpayment. Any lessee who fails to make timely or full, or proper, payment of any monies due to the mineral owner(s) pursuant to the lease, shall pay a penalty of 10 percent of the amount past due plus interest at the prime rate plus 2 points from the due date to the date of payment. Prime rates shall be not less than the prime rate figures maintained by the Federal Reserve Board.

STIPULATIONS FOR OIL AND GAS LEASE SALE NO. 81, FORT PECK RESERVATION, MT

(July 8, 1982)

The following stipulations will be added to and made a part of each oil and gas mining lease issued for Sale No. 81 held July 8, 1982 on the Fort Peck Reservation:

Stipulation No. 1

Royalty for oil and/or gas. The royalty rate of 25 percent gross production per oil and/or gas well will be paid to the mineral owner(s).

Stipulation No. 2

Indian Employment Preference. The lessee shall give preference in employment to Indians qualified to perform the required services, residing on or near the Fort Peck Reservation as defined in the Act of May 1, 1888, c. 213, 25 Stat. 113. The lessee shall cooperate with the Tribal Executive Board and Tribal employment agencies in carrying out this preference right.

Stipulation No. 3

Penalty For Late Payment of Underpayment. Any lessee who fails to make timely or full, or proper, payment of any monies due to the mineral owner(s) pursuant to the lease, shall pay a penalty of 10 percent of the amount past due plus interest at the prime rate plus 2 points from the due date to the date of payment. Prime rates shall be not less than the prime rate figures maintained by the Federal Reserve Board.

SB390
3-27-85
Ex 6c

W. M. VAUGHEY, JR.

P.O. BOX 46
HAVRE, MONTANA 59501-0046
(406) 265-5421

March 20, 1985

The Honorable Gerry Devlin, Chairman
Montana State House Taxation Committee
Capitol Station
Helena, MT 59620

RE: In support of Senate Bill 390

Dear Representative Devlin:

Through 17 years of being a resident explorer for oil and gas in Montana I have never had the chance to write in support of such a positive, pro petroleum exploration measure as is represented by Senate Bill 390. Passage of this bill would in and of itself revolutionize the environment Montana offers the petroleum exploration dollar.

Representative Devlin, 95 cents out of every exploration dollar spent in Montana comes from outside the state. It's a sad fact that Montana's high total tax burden on oil or gas production has actually caused some of our state's most successful exploration companies - independent and major companies, alike - to discontinue exploring for new fields in the state. It is this phenomenon, made worse by the fact that that tax burden varies from school district to school district, that is at the heart of the fact that oil production in Montana has steadily declined since 1968. This fact, in turn, bodes ill for our school systems in that they have come to rely heavily on tax revenues generated by oil production.

SB 390, if passed, would literally turn Montana around in the sense that it would make us fully competitive for the exploration dollar with Wyoming, North Dakota and the other producing states. I am completely convinced that the heightened exploration levels in Montana which would follow passage of SB 390 would result in oil and gas discoveries which would reverse the state's oil production decline.

Just as important, these heightened exploration levels would constitute Montana's best hope of creating new, long-term, high-paying jobs. My own area of Northcentral Montana classically demonstrates what heightened exploration levels can do. While I can be said to have been the first member of my industry to move to Havre in 1968 following the discovery of Tiger Ridge Gas Field, there are now 500-600 families in the Havre-Chinook-Big Sandy area who look to petroleum exploration, production, or transmission as the primary source of family income. Representative Devlin, that story could be told many times over in the future if SB 390 is passed, and I am thinking here particularly of Western Montana because of its Overthrust and Disturbed Belt potential.

I commend Senator Mazurek for sponsoring Senate Bill 390, and I wholeheartedly urge passage of this excellent piece of legislation.

Sincerely,

Bill Vaughey

W. M. Vaughey, Jr.

cc: The Honorable Ted Schwinden, Governor of Montana
All members of the Montana State House Taxation Committee
State Senator Joe Mazurek

#5

W. M. VAUGHEY, JR.
P.O. BOX 46
HAVRE, MONTANA 59501-0046
(406) 265-5421

March 20, 1985

The Honorable Gerry Devlin, Chairman
Montana State House Taxation Committee
Capitol Station
Helena, MT 59620

RE: In support of Senate Bill 390

Dear Representative Devlin:

Through 17 years of being a resident explorer for oil and gas in Montana I have never had the chance to write in support of such a positive, pro petroleum exploration measure as is represented by Senate Bill 390. Passage of this bill would in and of itself revolutionize the environment Montana offers the petroleum exploration dollar.

Representative Devlin, 95 cents out of every exploration dollar spent in Montana comes from outside the state. It's a sad fact that Montana's high total tax burden on oil or gas production has actually caused some of our state's most successful exploration companies - independent and major companies, alike - to discontinue exploring for new fields in the state. It is this phenomenon, made worse by the fact that that tax burden varies from school district to school district, that is at the heart of the fact that oil production in Montana has steadily declined since 1968. This fact, in turn, bodes ill for our school systems in that they have come to rely heavily on tax revenues generated by oil production.

SB 390, if passed, would literally turn Montana around in the sense that it would make us fully competitive for the exploration dollar with Wyoming, North Dakota and the other producing states. I am completely convinced that the heightened exploration levels in Montana which would follow passage of SB 390 would result in oil and gas discoveries which would reverse the state's oil production decline.

Just as important, these heightened exploration levels would constitute Montana's best hope of creating new, long-term, high-paying jobs. My own area of Northcentral Montana classically demonstrates what heightened exploration levels can do. While I can be said to have been the first member of my industry to move to Havre in 1968 following the discovery of Tiger Ridge Gas Field, there are now 500-600 families in the Havre-Chinook-Big Sandy area who look to petroleum exploration, production, or transmission as the primary source of family income. Representative Devlin, that story could be told many times over in the future if SB 390 is passed, and I am thinking here particularly of Western Montana because of its Overthrust and Disturbed Belt potential.

I commend Senator Mazurek for sponsoring Senate Bill 390, and I wholeheartedly urge passage of this excellent piece of legislation.

Sincerely,

W. M. Vaughey, Jr.

cc: The Honorable Ted Schwinden, Governor of Montana
All members of the Montana State House Taxation Committee
State Senator Joe Mazurek

EX 5

Representative Raney made a substitute motion that if both of these bills pass, the codification should use the language in SB 67. The motion failed with 8 voting aye and 11 voting no. See Roll Call Vote.

Chairman Devlin reversed the codification to the other bill with no objection.

Representative Keenan moved that the bill DO NOT PASS AS AMENDED. The motion failed with 9 voting aye and 11 voting no. See Roll Call Vote.

Chairman Devlin reversed the vote to a DO PASS.

DISPOSITION OF SENATE BILL 436: Representative Keenan moved that this bill BE CONCURRED IN. She indicated that this was a needy instead of greedy bill.

Representative Harp moved the amendments that had been proposed to this bill that would restore it to the original bill. The motion carried unanimously.

Representative Keenan made a motion that this bill BE CONCURRED IN AS AMENDED. The motion carried with Representative Hanson and Representative Zabrocki voting no.

DISPOSITION OF SENATE BILL 390: Representative Harp distributed proposed amendments (Exhibit 5) to this bill. He explained the amendments and made a motion that they be adopted. The motion carried with Representative Switzer voting no.

Representative Williams moved to amend the bill on page 5, line 21, following "proceeds" by inserting "without deduction for excise taxes." The motion carried with Representative Asay, Representative Abrams, Representative Harp, Representative Devlin, Representative Zabrocki and Representative Switzer voting no.

Representative Williams moved that this bill be amended on page 7, line 12 by striking "7" and inserting "8.1" There was some discussion and a vote was taken on the motion and it failed by a vote of 8 ayes and 12 noes.

Representative Williams moved to amend the bill on page 2, lines 3 through 5, following "lease" on line 3, by striking "through production" on line 5 and inserting "executed after (the effective date of this act)."

Representative Harp commented that they are after new production and with this amendment, they are not going to get new production.

There was considerable discussion on this amendment along with some confusion and the committee agreed to let Mr. Hill explain the consequences of this amendment.

Tucker Hill, representing Project 85, informed the committee that there were hearings with himself, the commissioners and Mike Stephens, they spent an hour with Don Garrity, who is the lawyer representing the oil and gas companies, and they came to an agreement that this addressed an issue that was far superior to the one they were proposing and the one they were proposing would not really do what they thought it would do and he thought that this may be the easiest way to resolve the controversy.

Representative Keenan asked what do the amendments do. Mr. Hill responded that, as he understands it, it would allow each lease across the state to be released if this bill would pass and it would not really, in essence, define new production.

Representative Harp asked with the new production or with a new hole going down in the ground, would they be under the new stablizing tax.

Mr. Hill replied that it would depend on the lease - if they have 1,000 acres and it is being held by production, which means that one well could be holding it, and if a new well were drilled, that new well would be under the existing tax system.

Representative Abrams asked if they could question Mike Stephen, who said that they still have some loopholes

but it does try to address new production and they were interested in stimulating new wells on new leases, so that was the purpose of the amendment. He indicated that the problem with the existing language is that it appears that it grandfathered some production because you could go back five years and, in discussing this with Tucker Hill, they think that most of those loopholes have been taken care of other than shutin natural gas, which has not been hooked up and may be thirty miles from an existing pipeline and they are sitting there and based on the economics of the situation, they are not hooked up and, therefore, they could be drilled and ready to produce before July 1, 1985, and then hooked up and become new production even though they are three or four years old. He said they could not figure out how to handle that loophole.

He continued that an existing well on 1,000 acres right now would be called old production under this bill, so after July 1, 1985, anything that was drilled and started up in production would still be old production. He said that the problem is that anyone on that 1,000 acres could get together with the owner of the land and negotiate a new lease and push out that portion of the land that has an existing well on it and drill on the new one and that would be new production. He said that this was the purpose of this amendment - to try and solve that loophole. He would recommend that the committee stay with the original language and assess in a couple years what has happened and what violations have occurred.

Representative Williams withdrew his motion. Representative Harp moved that the bill BE CONCURRED IN. The motion passed with a vote of 13 ayes and 7 noes. See Roll Call Vote.

DISPOSITION OF HOUSE BILL 882: Representative Harp moved to TABLE this bill. A vote was taken and the motion passed 12 to 7. See Roll Call Vote.

ADJOURNMENT: There being no further business, the meeting adjourned at 8:50 a.m.

GERRY DEVLIN, Chairman

Alice Omang, Secretary

Exhibit 5
SB 390
3/29/85
Rep Harp

PROPOSED AMENDMENTS
Senate Bill No. 390
Third Reading (Blue) Copy

1. Title, line 12.
Following: ";"
Insert: "PROVIDING FOR QUARTERLY PAYMENT OF NEW PRODUCTION TAXES; REVISING THE DEFINITION OF "TAXABLE VALUATION" AS IT APPLIES TO THE CLASSIFICATION OF COUNTIES;"

2. Title, line 13.
Following: "SECTIONS"
Insert: "7-1-2111,"

3. Title, line 14.
Following: "7-16-2327,"
Insert: "15-16-102,"

4. Page 7, line 14.
Following: "~~10%~~"
Strike: "11%"
Insert: "12%"

5. Page 30.
Following: line 20
Insert: "Section 18. Section 7-1-2111, MCA, is amended to read:

"7-1-2111. Classification of counties. (1) For the purpose of regulating the compensation and salaries of all county officers, not otherwise provided for, and for fixing the penalties of officers, bonds, the several counties of this state shall be classified according to that percentage of the true and full valuation of the property therein upon which the tax levy is made, as follows:

(a) first class - all counties having such a taxable valuation of $50 million or over;

(b) second class - all counties having such a taxable valuation of more than $30 million and less than $50 million;

(c) third class - all counties having such a taxable valuation of more than $20 million and less than $30 million;

(d) fourth class - all counties having such a taxable valuation of more than $15 million and less than $20 million;

(e) fifth class - all counties having such a taxable valuation of more than $10 million and less than $15 million;

(f) sixth class - all counties having such a taxable valuation of more than $5 million and less than $10 million;

(g) seventh class - all counties having such a taxable valuation of less than $5 million.

(2) As used in this section, taxable valuation means the taxable value of taxable property in the county as of the time of determination plus:

(a) that portion of the taxable value of the county on December 31, 1981, attributable to automobiles and trucks having a rated capacity of three-quarters of a ton or less; and

(b) the amount of new production taxes levied, as provided in 15-23-607, divided by the appropriate tax rates described in 15-23-607(2)(a) or (2)(b) and multiplied by 60%."

Section 19. Section 15-16-102, MCA, is amended to read:

"15-16-102. Time for payment -- penalty for delinquency. All taxes levied and assessed in the state of Montana, except assessments made for special improvements in cities and towns payable under 15-16-103 and assessments made on new production as provided in Title 15, chapter 23, part 6, and payable under [section 20], shall be payable as follows:

(1) One-half of the amount of such taxes shall be payable on or before 5 p.m. on November 30 of each year and one-half on or before 5 p.m. on May 31 of each year.

(2) Unless one-half of such taxes are paid on or before 5 p.m. on November 30 of each year, then such amount so payable shall become delinquent and shall draw interest at the rate of 5/6 of 1% per month from and after such delinquency until paid and 2% shall be added to the delinquent taxes as a penalty.

(3) All taxes due and not paid on or before 5 p.m. on May 31 of each year shall be delinquent and shall draw interest at the rate of 5/6 of 1% per month from and after such delinquency until paid and 2% shall be added to the delinquent taxes as a penalty."

NEW SECTION. Section 20. Payment of new production taxes.

(1) Taxes levied and assessed on new production under the provisions of Title 15, chapter 23, part 6, must be paid to the county treasurer in quarterly installments. The payments must be made on or before 5 p.m. on the last day of the months of November, February, May, and August.

(2) Unless one-quarter of such taxes are paid on or before 5 p.m. on the last day of the months of November, February, May, and August of each year, any amount so payable is delinquent.

(3) All such delinquent taxes must draw interest at the rate payable on delinquencies under 15-16-102.

(4) There must also be added to the delinquent taxes a penalty at the same rate as provided for delinquencies under 15-16-102."

Renumber: subsequent sections

6. Page 30, line 24.
Following: "SECTION 11."
Insert: "Section 20 is intended to be codified as an integral part of Title 15, chapter 16, part 1, and the provisions of Title 15, chapter 16, part 1, apply to section 20.

7. Page 31, line 5.
Following: "~~10~~"
Strike: "18"
Insert: "21"

8. Page 31, line 6.
Following: "SECTIONS"
Strike: "19"
Insert: "22"
Following: "AND"
Strike: "20"
Insert: "23"

9. Page 31, line 8.
Following: "~~11~~"
Strike: "19"
Insert: "22"

STANDING COMMITTEE REPORT

March 29, 19 35

MR. SPEAKER:

We, your committee on TAXATION

having had under consideration SENATE Bill No. 390

third reading copy (Blue color)

ESTABLISH A UNIFORM RATE OF TAX FOR "NEW PRODUCTION" OF OIL AND NATURAL GAS;

Respectfully report as follows: That SENATE Bill No. 390

be amended as follows:

1. Title, line 12.
Following: ";"
Insert: "PROVIDING FOR QUARTERLY PAYMENT OF NEW PRODUCTION TAXES; REVISING THE DEFINITION OF "TAXABLE VALUATION" AS IT APPLIES TO THE CLASSIFICATION OF COUNTIES;"

2. Title, line 13.
Following: "SECTIONS"
Insert: "7-1-2111,"

3. Title, line 14.
Following: "7-15-1327,"
Insert: "15-16-102,"

DO PASS

(continued)

Chairman.

STATE PUB. CO.
Helena, Mont.

COMMITTEE SECRETARY

March 29, 1985

4. Page 5, line 21.
Following: "proceeds"
Insert: ", without deduction for excise taxes,"

5. Page 7, line 14.
Following: "~~10%~~"
Strike: "11%"
Insert: "12%"

6. Page 30.
Following: line 20
Insert: "Section 18. Section 7-1-2111, MCA, is amended to read:

"7-1-2111. Classification of counties. (1) For the purpose of regulating the compensation and salaries of all county officers, not otherwise provided for, and for fixing the penalties of officers' bonds, the several counties of this state shall be classified according to that percentage of the true and full valuation of the property therein upon which the tax levy is made, as follows:

(a) first class - all counties having such a taxable valuation of $50 million or over;

(b) second class - all counties having such a taxable valuation of more than $30 million and less than $50 million;

(c) third class - all counties having such a taxable valuation of more than $20 million and less than $30 million;

(d) fourth class - all counties having such a taxable valuation of more than $15 million and less than $20 million;

(e) fifth class - all counties having such a taxable valuation of more than $10 million and less than $15 million;

(f) sixth class - all counties having such a taxable valuation of more than $5 million and less than $10 million;

(g) seventh class - all counties having such a taxable valuation of less than $5 million.

(2) As used in this section, taxable valuation means the taxable value of taxable property in the county as of the time of determination plus:

(continued)

Chairman.

STATE PUB. CO.
Helena, Mont.

(a) that portion of the taxable value of the county on December 31, 1981, attributable to automobiles and trucks having a rated capacity of three-quarters of a ton or less; and

(b) the amount of new production taxes levied, as provided in 15-23-607, divided by the appropriate tax rates described in 15-23-607(2)(a) or (2)(b) and multiplied by 60%."

Section 19. Section 15-16-102, MCA, is amended to read:

"15-16-102. Time for payment -- penalty for delinquency. All taxes levied and assessed in the state of Montana, except assessments made for special improvements in cities and towns payable under 15-16-103 and assessments made on new production as provided in Title 15, chapter 23, part 6, and payable under [section 20], shall be payable as follows:

(1) One-half of the amount of such taxes shall be payable on or before 5 p.m. on November 30 of each year and one-half on or before 5 p.m. on May 31 of each year.

(2) Unless one-half of such taxes are paid on or before 5 p.m. on November 30 of each year, then such amount so payable shall become delinquent and shall draw interest at the rate of 5/6 of 1% per month from and after such delinquency until paid and 2% shall be added to the delinquent taxes as a penalty.

(3) All taxes due and not paid on or before 5 p.m. on May 31 of each year shall be delinquent and shall draw interest at the rate of 5/6 of 1% per month from and after such delinquency until paid and 2% shall be added to the delinquent taxes as a penalty."

NEW SECTION. Section 20. Payment of new production taxes.

(1) Taxes levied and assessed on new production under the provisions of Title 15, chapter 23, part 6, must be paid to the county treasurer in quarterly installments. The payments must be made on or before 5 p.m. on the last day of the months of November, February, May, and August.

(2) Unless one-quarter of such taxes are paid on or before 5 p.m. on the last day of the months of November, February, May, and August of each year, any amount so payable is delinquent.

(3) All such delinquent taxes must draw interest at the rate payable on delinquencies under 15-16-102.

(continued)

Chairman.

STATE PUB. CO.
Helena, Mont.

March 29, 19 85

(4) There must also be added to the delinquent taxes a penalty at the same rate as provided for delinquencies under 15-16-102."
Renumber: subsequent sections

7. Page 30, line 24.
Following: "SECTION 11."
Insert: "Section 20 is intended to be codified as an integral part of Title 15, chapter 16, part 1, and the provisions of Title 15, chapter 16, part 1, apply to section 20."

8. Page 31, line 5.
Following: "~~16~~"
Strike: "19"
Insert: "21"

9. Page 31, line 6.
Following: "SECTIONS"
Strike: "19"
Insert: "22"
Following: "AND"
Strike: "20"
Insert: "23"

10. Page 31, line 8.
Following: "~~11~~"
Strike: "19"
Insert: "22"

AND AS AMENDED
BE CONCURRED IN

GERRY DEVLIN, Chairman.

STATE PUB. CO.
Helena, Mont.